

Trinetra

Trinetra Investment Management LLP

Responsible Investing and
Environmental Social and Governance Policy

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Trinetra Investment Management LLP is incorporated in England and Wales under company number OC415873 with registered address at 7 Stratford Place London W1C 1AY and is authorised and regulated by the Financial Conduct Authority (Firm reference number: 772919).

Foreword – Trinetra and ESG

Trinetra Investment Management LLP (“Trinetra”) is a dedicated investment boutique that uses ethnographic research, to capture growth opportunities in Emerging Markets (“EMs”). Trinetra aims to generate alpha through a specifically designed process for investing with a long-term horizon.

Trinetra believes that alpha can be generated from long-term investing by understanding consumers who ultimately dictate trends, and by analysing the companies which can benefit by capturing these trends with their products and services. As such, any long-term investment process must have an independent understanding of consumers at its core.

Trinetra believes that to be able to hold positions over a long term, i.e., five years, investors need to have a holistic process to risk-adjust returns, accounting for all risks, including Environmental Social and Governance (“ESG”) risks, and to ensure that the investment addresses a sustainable trend which provides a social or environmental solution.

ESG a deciding factor in risk adjusting returns and determining position sizing.

Long-term holdings require investors to take a more holistic view of all risks, including Environmental, Social and Governance (ESG) risks. For example, companies that pollute or that excessively exploit their customers, face ESG risks. Those might include governments and regulators curtailing or shutting down their activities.

Social trends in EMs provide solutions to Social Issues.

In 2011, members of Trinetra travelled through the grasslands of Inner Mongolia meeting farmers and herdsmen in their homes, to understand the issues they faced in their lives, their anxieties, and their dreams for a better tomorrow for themselves and their children. Over the next decade Trinetra team members performed 24 studies in 15 different EMs, trying to understand the issues that people face, and the solutions that they saw to their own problems. Trinetra believes that providing solutions to these issues allows investors to capture growth opportunities in EMs.

The issues that Trinetra focuses on fall into 2 categories: Health & Wellness and Equality - Equality for the people at the bottom of the pyramid, for migrants, for women, for the elderly and the young, and for people from villages and smaller towns.

1. TRINETRA’S BELIEFS

Trinetra was founded in 2016 with the following beliefs:

- **Consumers dictate trends, not companies:** Companies try to predict consumer demand; success depends on whether they have listened to consumers. By conducting Immersions studies, Trinetra aims to understand consumers’ hopes, aspirations, anxieties and dreams, and the solutions that they ultimately see to their own problems. This helps us to form an independent view of how trends are evolving.
- **EMs set their own trends, and in some cases set a path for the rest of the world to follow:** Emerging Markets are places of opportunity and hope but are often poorly understood. We believe a key engine of growth to be the aspirant, lower-income classes that not only follow their own trends but also set some trends that the rest of the world will follow. Shifts in their values will determine changes in behaviour and consumption patterns.
- **EM consumers want to improve themselves and to leave the world a better place for their children:** In the past many EM consumers believed that their destiny in life was predetermined by their social class, caste, or clan. Today they see self-improvement as a major enabler of the democratisation of success. Because changes that took generations in DMs are now happening in a matter of years, people are unwilling to give up values that are rooted in sustainability or their heritage. They want the symbols

of progress, but they still view waste as a sin, whether this is water, food or even clothes that they hand on to their relatives.

- **Deep fundamental research is key to capturing future trends:** By understanding EM consumer values and how they are evolving, we can anticipate evolving trends and gain an in-depth understanding of them. Capturing these trends requires fundamental research and active engagement with managements to ensure a shared understanding of the opportunities highlighted by Immersions and the risks faced. Only when investors are benchmark agnostic can they avoid the success stories of yesterday.

Trinetra invests in companies that directly benefit from the rise in domestic consumption, and that domestic consumption is the main driver of investment returns. Therefore, Trinetra does not invest in energy producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers.

Trinetra's immersions research allows it to view products through the eyes of these EM consumers. For example, gambling, alcohol and tobacco are viewed by many consumers as obstacles to their health and wellness. Trinetra therefore does not invest in them. In contrast, fast food, viewed in the developed world as unhealthy, is viewed as a badge of progress by many in EMs, enjoying foreign food in a hygienic environment, and therefore Trinetra would invest in Quick Service Restaurants.

2. TRINETRA'S PURPOSE

Trinetra's purpose is unchanged from at its foundation.

- **Delivering for clients by giving consumers in Emerging Markets a voice:** By conducting Immersions, Trinetra aims to understand consumers' hopes, aspirations, anxieties, and dreams, and to invest in solutions that will deliver returns for our clients, and will help consumers to overcome their challenges. These solutions focus on Health & Wellness and Equality – Equality for the people at the bottom of the pyramid as well as migrants, women, youth and older adults, and those in less developed lower-tier cities and rural areas.
- **Changing the way that investors understand and act in Emerging Markets:** In our view, Emerging Markets are places of opportunity and hope. We advocate our belief that growth in Emerging Markets will not only follow its own trends, but it will also set trends that the developed world will follow, from fintech and eCommerce to social and environmental responsibility.
- **Helping company managements to overcome their behavioural biases:** Companies frequently view their world through the lenses of their existing operations. Immersions research allows us to provide them with an independent view on how trends are evolving, and how well they are positioned to capture those trends.

3. SCOPE AND GOVERNANCE OF THIS DOCUMENT

Trinetra runs a single investment strategy. While reporting requirements differ between different clients, all other policies and principles discussed in this policy apply to all of Trinetra's investment activities.

This Responsible Investing Policy document describes our policies and practices relating to Responsible Investment. It contains details of the integral role that ESG plays in our investment process and decision making. It also contains details of our Voting Policy, our Engagement Policy, and our compliance with certain regulations. Other documents to which we refer within this document have been made available on our website.

The Firm's managing body, the Executive Committee, oversees the Responsible Investing Policy and is responsible for its implementation.

All members of the investment team are accountable for discharging the policy. There is no separate ESG function. The Executive Committee is required to ensure that each member of the investment team receives regular training to help them to comply with this policy consistently and accurately.

4. DEFINITIONS AND ACRONYMS

The United Nations Principles for Responsible Investment PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

Below is a table containing definitions of some of the key terms and acronyms used in this document. The descriptions are those used by the PRI.

Term or Acronym	UN PRI Description
Responsible Investment	A strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.
ESG	Environmental, Social and Governance
ESG Integration	The explicit and systematic inclusion of ESG issues in investment analysis and investment decisions
Environmental (E)	Issues relating to the quality and functioning of the natural environment and natural systems. These include: biodiversity loss; greenhouse gas (GHG) emissions, climate change, renewable energy, energy efficiency, air, water or resource depletion or pollution, waste management, stratospheric ozone depletion, changes in land use, ocean acidification and changes to the nitrogen and phosphorus cycles.
Social (S)	Issues relating to the rights, well-being and interests of people and communities. These include: human rights, labour standards in the supply chain, child, slave and bonded labour, workplace health and safety, freedom of association and freedom of expression, human capital management and employee relations; diversity; relations with local communities, activities in conflict zones, health and access to medicine, HIV/AIDS, consumer protection; and controversial weapons.
Governance (G)	Issues relating to the governance of companies and other investee entities. In the listed equity context these include: board structure, size, diversity, skills and independence, executive pay, shareholder rights, stakeholder interaction, disclosure of information, business ethics, bribery and corruption, internal controls and risk management, and, in general, issues dealing with the relationship between a company's management, its board, its shareholders and its other stakeholders. This category may also include matters of business strategy, encompassing both the implications of business strategy for environmental and social issues, and how the strategy is to be implemented. In the unlisted asset classes governance issues also include matters of fund governance, such as the powers of Advisory Committees, valuation issues, fee structures, etc.
Active Ownership	Active ownership is the use of the rights and position of ownership to influence the activity or behaviour of investees. This can be applied differently in each asset class. For listed equities it includes both engagement and (proxy) voting (including filing shareholder resolutions). For other asset classes (e.g. fixed income), engagement may still be relevant while (proxy) voting may not.

Term or Acronym	UN PRI Description
Engagement	Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.
Proxy (voting) and shareholder resolutions	Voting refers to voting on management and/or shareholder resolutions as well as filing shareholder resolutions.

Below is a table in which we describe some of the key definitions and acronyms used in this document as defined by Trinetra.

Term or Acronym	Trinetra's Adopted Description
Ethnographic research	The study of culture, values, and social organisation of particular groups or communities.
Immersion studies	On the ground ethnographic studies that allow researchers to immerse themselves in a person's life, to gather anthropological data, and to drive analysis and insights into people, settings and ways of life.

Below is a table that describes how Trinetra defines the social trends used in this document.

Trend	Description
Health & Wellness	Health trends are accelerating in EMs as health is viewed as a symbol of progress and an enabler of achievement – the need to stay healthy to cope with a highly competitive environment. People getting sick find themselves falling back down the social ladder that they climbed, without a reliable safety net provided by government social care systems.
Next Billion	There are 5 billion people at the bottom of the social pyramid. Some of them are the most driven and aspirational consumers, who despite having a higher rate of income growth than their middle-class counterparts, remain largely underserved. Companies that produce great value-for-money products, that can capture these demanding consumers at the bottom of the pyramid, can disrupt the whole pyramid above them.
Migration	These are among the most driven consumers who are willing to uproot themselves, striving for a better future for themselves and for their families. They shift from low productivity sectors such as agriculture to higher productivity sectors such as industrial production.
Women Effect	Patriarchal societies are fading in EMs. Electrification is driving a quiet revolution, where women are moving to the centre of the family. They still take care of the family, but also earn an income which allows for upgrading of the family living standards. Women think more long-term and focus on education, savings, and insurance.
One Youth	In the past, youth was segmented by social class and whether they lived in big cities or villages. Knowledge and trend-sharing through smartphones and social media are more inclusive, and are turning youth into a more homogeneous group.
Longevity	In contrast to Developed Markets where older adults are forced into retirement in their productive years, EMs can deliver a longevity dividend if they remain productive through older age. Trinetra’s studies have shown that older adults want to remain relevant (continue to contribute and make connections). The desire is much greater than that for independence, namely having enough money to retire and to be healthy enough to have an independent life.

5. SOURCES OF ESG INFORMATION

Trinetra believes that social issues cannot be identified or understood from a top-down perspective sitting in offices in London, New York or Hong Kong. Rather it needs to be understood on a bottom-up basis, by visiting people in their homes in villages and towns across EMs.

To work on social issues, investors should use the same data collection techniques used by social anthropologists in their fieldwork. Trinetra’s immersions fieldwork is designed to collect this data. It involves the collection of ESG information in 5 different ways:

- **Pre-fieldwork:** Working with ethnographic research firms and field researchers, Trinetra commissions respondents to document in diaries their daily lives, routines, values, dreams, anxieties and what is important to them.
- **Fieldwork:** Trinetra captures data by recording on video, audio and then transcribing of discussions with respondents. During these discussions we can ask about the experience of their friends and relatives who may work for some of the potential investee companies to help us independently ascertain the level of adherence to the Principle of the UN Global Compact (“UNGC”).

- **Post-fieldwork 4 I process:** The research team analyses the data captured in ethnographic research using a process referred to as 4 Is to drive the transformation of Information to Impact:
 - **Information:** Purely factual information captured in the field, e.g., “We observed respondent X doing Y”. This is an observation of “what” is happening.
 - **Inference:** This is Trinetra’s understanding “why” something is happening.
 - **Insight:** A much deeper understanding of “why” can be gained by interconnecting different pieces of Immersions information from different respondents. This is an “aha moment” for the research team.
 - **Impact:** How can Trinetra drive returns or manage risk in the portfolio from these insights?
- **Post-fieldwork social media follow-ups:** Trinetra maintains discussions with respondents, facilitated by an ethnographer, after completion of the fieldwork. This allows the research team to study peoples’ lives longitudinally, and to capture data to understand how their lives are evolving.
- **Periodic discussions with field ethnographers:** Trinetra hosts conference calls at least quarterly with field ethnographers from the ethnographic research firms with which it works closely to discuss any changes to trends or new trends that they are picking up in their fieldwork.

To create risk maps, Trinetra analysts use the data from ethnographic research, together with information from annual reports, discussion with management and raw ESG data from Bloomberg.

6. PRINCIPLES OF TRINETRA’S ESG INTEGRATION

Sustainability is integrated at the following levels in Trinetra’s investment decisions:

1. Immersions Research:

During immersions research Trinetra meets with consumers in EMs in their homes, in villages and towns, to understand the social and environmental issues that they face, as well as the solutions that they see to their own problems. From these discussions Trinetra forms a universe of companies that can provide solutions to these problems and which its research team will research during the security selection process. The trends/solutions focus on Health & Wellness and Equality – Equality for the people at the bottom of the pyramid as well as migrants, women, youth and older adults, and those in less developed lower-tier cities and rural areas.

2. Security Selection:

- a. Trinetra blocks from investment any company for which the investment team cannot gain a clear understanding of, and quantify, its ESG risks. The analysts will explain to the wider team at the weekly Portfolio Review, which sets the research agenda for the coming week, the reasons behind their analysis. The most common causes are major governance issues.
- b. Trinetra’s risk assessment scores for each company are used to risk-adjust returns. The risk assessment includes ESG as well as operational, strategic and financial risks. Companies with higher ESG risks will be given higher risk scores, and so will offer lower risk-adjusted returns, which will result in reduced position sizing in the portfolio, outright sale, or no purchase at all.

3. Active Engagement and Escalation:

- a. Trinetra brings to management’s attention the risks and opportunities as articulated by consumers during Immersions research.
- b. Trinetra engages with management over Trinetra’s assessment of the risks they face (ESG, financial, operational, and strategic) and discusses the significance and likelihood of each risk, as well as any preventive or detective controls that management has put in place.

- c. In the event that an issue has not been adequately dealt with by management, Trinetra will escalate the matter by addressing it more formally, including with the chair or with other members of the senior management team. Trinetra may express its concerns through voting against the appointment of certain directors, or against other proposals, and writing to explain its voting actions.
- d. Trinetra's Engagement Policy has been made available on its website at <https://www.trinetra-im.com/responsible-investing>.

4. Voting

- a. Trinetra's Voting Policy is posted at <https://www.trinetra-im.com/responsible-investing>. The policies are updated annually and are approved by Trinetra's Executive Committee.
- b. Each investment analyst is responsible for voting in the meetings of the companies that they follow. Trinetra does not delegate voting to a separate governance or ESG team, nor to an external provider. The analyst submits votes through an online proxy voting service provider, Institutional Shareholder Services, or ISS, on its their ProxyExchange platform.
- c. The ISS platform also offers research and customised voting recommendations. The analyst is never obliged to follow these recommendations, especially when there is a belief that voting in line with the recommendation may compromise the company's sustainability.
- d. In compliance with the European Union's Revised Shareholder Rights Directive (SRD II), Trinetra discloses its voting record on its website on a quarterly basis.
- e. An overarching principle when voting is that management's interests need to be aligned with those of their company's shareholders. But moreover, Trinetra believes that management needs to be aligned with the interests of a broader set of stakeholders, including consumers, communities local to their main operations' sites, other occupants of the planet, and the environment.

5. UN Sustainable Development Goals

Trinetra maps each stock to at least one of the UN's 17 Sustainable Development Goals that relate to the investment case for owning the specific security. For every goal, the analyst takes at least one relevant measurable parameter that can be tracked over multiple years. When engaging with management, we will refer to the specific parameter and stress its importance as a measure of the company's sustainability.

Trinetra focuses on risk-adjusted returns and does not account for trade-offs between lower returns and higher impact. For example, given two microfinance companies, one offering 5% risk-adjusted returns and offering loans to 10 million women, and the other offering 10% risk-adjusted returns and making loans to only 1 million women, Trinetra's process would always favour the latter. The process does not make trade-offs between lower risk-adjusted returns and higher impact.

7. ESG REPORTING, TRANSPARENCY AND DISCLOSURE

Trinetra is a signatory to the UNPRI, as the principles align with Trinetra's investment policies, investment practice, and also with its values.

Trinetra is a supporter of the Taskforce for Climate-Related Financial Disclosures (TCFD).

Following feedback from clients, Trinetra communicates outcomes from its research in the following form:

- **Keynotes:** e.g., "Focus your sustainability efforts on clients not managers" given at Portfolio Construction Forum in Australia in Feb 2020 – <https://www.trinetra-im.com/post/sustainability-efforts-on-clients-not-managers>

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- **Podcasts:** These are available on iTunes, Spotify, Amazon, to the public. e.g., “Growing environmental awareness in EM and other trends to watch” – <https://www.trinetra-im.com/post/podcast-7-growing-environmental-awareness>
- **Blogs/Infographics:** e.g., “Lower socioeconomic groups fuelling Growth of Private Healthcare in EMs” can be found at <https://www.trinetra-im.com/post/private-healthcare-em>

A range of Trinetra’s ESG research can be found at <https://www.trinetra-im.com/insights/categories/esg>

In line with the European Union’s Revised Shareholder Rights Directive, SRD II, Trinetra produces an annual statement which is posted at <https://www.trinetra-im.com/responsible-investing>. Voting records can be found at the same location.