Trinetra
Investment Management LLP

Report on: UK Stewardship Code

For the year to December 31 2020

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Rural Maharashtra – Source: Trinetra

Introduction

The UK Stewardship Code, first published in 2010 and updated in 2012 and 2019, is a set of guidelines and principles issued by the Financial Reporting Council. The FRC defines stewardship as "the responsible allocation, management and oversight of capital to create long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

Trinetra fully supports the UK Stewardship Code and complies with all its principles. The UK Stewardship Code establishes a standard of stewardship for all investments, and we seek to apply the same principles globally, taking into account local practice and law.

Trinetra's 2020 Stewardship Report follows the 12 Principles for Asset Owners and Asset Managers outlined in the updated Code and has regard to UK rules implementing the requirements of the EU Shareholder Rights Directive 2007/36/EC. This report details how Trinetra:

- has applied the Code's Principles over the 12-month period ending 31 December 2020;
- allocates, manages and oversees capital to generate value for investors;
- supports the code through its purpose, process, policies and procedures; and
- has performed as stewards of its investors' capital over the 12-month period ending 31 December 2020.

Principle 1

Purpose, Strategy and Culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Context

Trinetra Investment Management LLP ("Trinetra") is a 100% employee-owned investment boutique that uses ethnographic research to capture growth opportunities in Emerging Markets ("EMs"). Trinetra aims to generate superior risk-adjusted returns 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 set and develop new 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 and their culture at its core.

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

For example, companies that pollute, or that excessively exploit their customers or people, face ESG risks. Those might include governments and regulators curtailing or shutting down their activities, or consumers shunning their goods, as well as reputational risk.

Social trends in EMs provide solutions to Social Issues

In 2011, members of Trinetra conducted their first ethnographic research trip, travelling through the grasslands of Inner Mongolia, meeting farmers and herdsmen in their homes, to understand the issues they faced, their anxieties, and their dreams for a better tomorrow for themselves and their children. Over the following decade, Trinetra's team members performed 24 studies in 15 different Emerging Markets, trying to understand the challenges and opportunities for people in different emerging markets, and the solutions they saw to their own problems. Trinetra believes that providing solutions to consumers allows investors to capture growth opportunities in Emerging Markets.

Trinetra's research focuses on six trends that can act as multi-year engines of social transformation in Emerging Markets:

- **Digital Revolution**
  Universal access to digital technologies is accelerating the pace of social transformation
- **Education**
  Inclusive, equitable education and promoting lifelong learning

- **Health & Wellness**
  Healthy lives for all at all ages through:
  - Access to quality healthcare
  - Nutritious food produced within the planetary boundaries and offering farmers sustainable living
  - Maintaining a physically healthy body
- **Financial Inclusion**
  Reorientating the flow of capital to accelerate sustainable development and empowering the unbanked
- **Sustainable Urbanisation**
  Inclusive and connected cities closer to people's traditional support networks for a more equal regional development
- **Circular Economy & Decarbonisation**
  Decoupling consumption from production to reduce waste; using leap-frogging technologies to accelerate transition to a net zero world

Streetside Jewellery Seller in Kolhapur, India – Source: Trinetra

Trinetra's on-the-ground ethnographic research targets five socioeconomic groups that the social transformations trends should drive the biggest changes in their consumption patterns.

- People at the bottom of the pyramid
- Women seeking gender equality
- Migrants
- Youth from less advantaged regions
- Older adults extending their working lives

Trinetra believes that by promoting social equality and empowering each of the above five groups to live their lives in accordance with their own values, we can strive towards ensuring that no-one is left behind.

Trinetra's Beliefs

Trinetra was founded in 2016 with the following beliefs:

Consumers not companies dictate trends

Companies try to predict consumer demand, however their success can depend 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, some of which the rest of the world will 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 determines 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. Changes that took generations in Developed Markets are now happening in a matter of years, and as a result people are often still tied to values that are rooted in sustainability and/or their heritage. They want the symbols of progress, but they still view waste as a sin, whether water, food or even clothes that they hand on to their relatives.

Immersions visit. Bandung, Java – Source: Trinetra

Solving social issues is fundamental to ensuring Environmental Sustainability

With the UN expecting world population to reach 11 billion by the end of the century, it is not sufficient to focus on environmental issues alone. We need to address how less developed countries should manage their demographic transition while continuing to prosper to make the world's population sustainable for the planet.

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 knowledge of their thinking. Capturing these trends requires fundamental research and active engagement with company managements to ensure a shared understanding of the opportunities highlighted by Immersions and the risks faced. We believe that a benchmark agnostic strategy and fundamental research lead to good stewardship and work in the best interest of clients

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 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 Emerging Markets. Many enjoy foreign food in a hygienic environment, and therefore Trinetra would invest, for example, in Quick Service Restaurants.

Trinetra's Purpose

Trinetra's purpose is unchanged since its establishment:

Delivering for clients by understanding consumers in Emerging Markets and giving a voice

By understanding consumers' hopes, aspirations, anxieties, and dreams, and investing in solutions that will deliver returns for our clients, we will help both consumer and clients achieve their goals.

Changing the way that investors understand and act in Emerging Markets

In our view, Emerging Markets are places of opportunity and hope. Growth in Emerging Markets will also set their own trends, from fintech and eCommerce to social and environmental responsibility, some of which will be followed by the developed world.

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.

Trinetra's Culture & Values

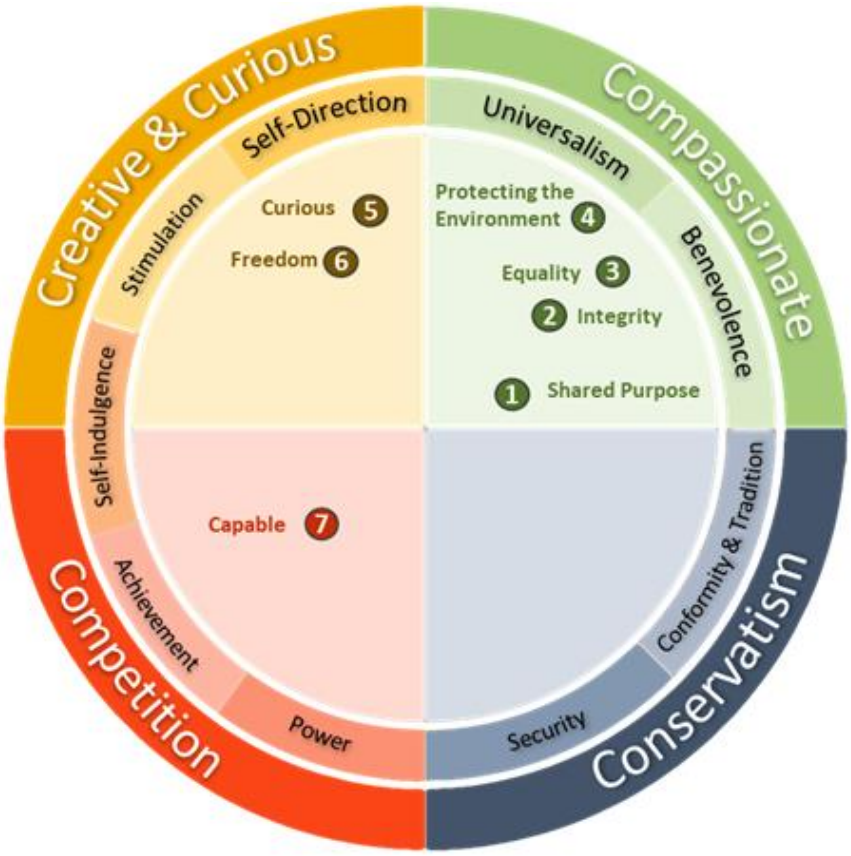
In 2011, members of Trinetra conducted their first ethnographic research trip, travelling through the grasslands of Inner Mongolia, meeting farmers and herdsmen in their homes, to understand the issues they faced, their anxieties, and their dreams for a better tomorrow for themselves and their children. Over the following decade, Trinetra's team members performed 24 studies in 15 different EMs, trying to understand the challenges and opportunities for people in different emerging markets, and the solutions they saw to their own problems. Trinetra believes that providing solutions to consumers allows investors to capture growth opportunities in EMs.

Culture at Trinetra:

Delivering performance for client portfolios by working effectively and collaboratively to stay ahead on social and environmental trends in EMs.

We map values according to the quadrant model explained in Schwartz Motivational Quadrants[1], as illustrated below. We use this framework to consider values across the spectrum if societies that we study. The framework can be applied effectively to individuals and families, to socioeconomic groups, and to entire countries. We also use the framework in a biannual exercise whereby we map our own team's values.

Mapping of Values in Schwartz Motivational Quadrants



[1] Schwartz, S. H. (2012). An Overview of the Schwartz theory of Basic Values, Online Readings in Psychology and Culture

The top 7 values at Trinetra ranked in order of importance

Rank	Motivational Type	Single value item	Description
1	Benevolence	Shared Purpose	A purpose we all believe in and we will work collaboratively to deliver the best results, to the best of our abilities, for all stakeholders
2	Benevolence	Integrity	Genuine, sincere and transparent
3	Universalism	Equality	Equal opportunities for all
4	Universalism	Protecting the Environment	Preserving nature
5	Self-Direction	Curious	On a continuous learning journey to understand what we don't know and prove ourselves wrong on our assumptions.
6	Self-Direction	Freedom	Freedom to think outside the constraints of benchmarks, traditional research methodologies. Freedom to act in the best way to deliver on our purpose.
7	Achievement	Capable	Competent, effective, efficient

Enabling Effective Stewardship

We are a 100% employee-owned firm. We are not an "asset gathering" firm. We do not employ salespeople and we have never had an AUM target. We rely on word of mouth from our existing clients or people connecting with us after hearing about our research through our keynotes, podcasts and blogs. There are no intermediary layers, and the investment team deals directly with the clients whose funds we invest. That allows the team to have a clear understanding of the goals and beliefs of our clients and beneficiaries.

Sustainability and consideration of all stakeholders is embedded in Trinetra's purpose. Our process includes not only considerations of our clients and beneficiaries but also the interests of the employees of the companies in which we invest, and especially the interests of the consumers who ultimately buy the products and services of those companies.

Considerations of the interests of wider stakeholders is fully integrated in Trinetra's own business and is reflected in our processes, from ethnographic research to engagement with investee companies and clients' involvement in our research. We believe in transparency and in sharing insights from our Immersions so that we can foster informed debate and help to educate our clients.

We ensure that our clients understand from the beginning of our relationship that we aim to deliver superior risk-adjusted returns while being benchmark agnostic. We compile an investable universe from the companies, identified during our Immersions research, that we believe will capture consumer trends and can provide solutions to consumers' problems.

Trinetra is a single strategy firm with an investment team of 4 individuals, investing in fewer than 50 publicly-listed companies. The small number of companies in which we invest, in combination with the small size of the investment team allows for an integrated sustainability approach that is consistently applied across our investment process.

Outcomes

In July 2020, we performed our biannual assessments of each team member's values, following a similar exercise carried out in July 2018. The aim of these assessments is to further embed and encourage effective stewardship within the business, and to better understand any gaps in our values. In 2020 we worked with one of our clients to help them to understand the range of values and beliefs in their own team, and to corroborate strong alignment with our team's values.

We believe that a clear and transparent alignment of investors' values and culture with their investment objectives provides for long-term effective stewardship. Our approach is tailored to our investment beliefs and culture. We discuss our investment philosophy with our clients in detail to ensure that their requirements, especially around ESG, are fully aligned with our approach and that their interests are met.

During 2020 we produced 18 keynotes, podcasts, webinars and blogs on our research to ensure that clients are apprised of our beliefs and developing insights.

With the increased anxiety and market turbulence driven by COVID-19, we provided a clear message of how we were intending to act to protect our clients' assets. This included a webinar with clients during which we provided a framework for how we would invest in the context of the heightened uncertainty from COVID-19 in March 2020. We were also the subject of interviews in the Australian Financial Review arguing that investors should avoid reacting to market volatility, and should execute their strategies away from the market's noise. We also produced a podcast entitled "Investing in the time of COVID".

Sustainability of Operations

Trinetra considers sustainability issues for its own business, as well as those in which we invest. In 2020, 100% of the energy powering our office was from low-impact renewable sources. We chose our current office space supplier because of their active involvement in environmental initiatives relating to the premises, including energy efficiency systems, chemical reduction exercises and recycling programs.

On average, each of our employees spent around 125 hours of their time working pro-bono for different charitable initiatives. We believe that giving back and contributing is an important element of our values.

While we believe that the practices within our business have provided alignment with clients' as well as beneficiaries' interests, further progress will be made with the launch of the Trinetra Foundation.

Our collaboration with the Organisation for Identify and Cultural Development (OICD) Advisory Board began in 2020 and will add another source of insight and thought leadership. The OICD aims to encourage human development by targeting the causes of inequality and violence, often led by identity-based divisions, that result in "us versus them" and that can lead to destructive tribalism.

Principle 2

Governance, Resources and Incentives

Signatories' governance, resources, and incentives support stewardship.

Executive Committee

The implementation and monitoring of Trinetra's stewardship activities rest with the firm's Executive Committee (EC). Trinetra's Partnership agreement has been modified as part of its application to become a B Corporation to consider the impact of its business on all stakeholders, thereby creating a legal requirement for the EC.

Qualifications of the EC for ESG oversight

The EC is responsible for ensuring that investments are in line with our culture and beliefs, such as leaving the Earth a better place for our children, being held to the highest standards of governance, and striving to ensure that groups of people in Emerging Markets are not left behind. This includes groups such as those at the bottom of the pyramid, migrants, women, older adults, and youths from disadvantaged regions.

The EC provides oversight on Trinetra's stewardship activities through its quarterly meetings. As part of its agenda the EC is responsible for:

- **Approving collaborating engagements**
- **Ensuring the integration of Sustainable Investing in the investment process through monitoring of:**
  - voting activity
  - engagement activity of companies
  - collaborative engagements
  - ESG research
  - ESG thought leadership
- **Sustainability within Trinetra's own operations**

Implementation of ESG, Oversight and Incentives

All three members of the EC are experienced in analysing ESG issues.

Tassos Stassopoulos

In the 1990s, Tassos worked for Arthur Andersen helping organisations understand and manage their risks, which included social and environmental risks. Over the past 11 years he performed ethnographic studies in 15 EMs, aiming to understand from the people on the

ground the social and environmental issues that they face and solutions that they see to their own problems.

Andy Reiss

Andy worked as a senior economic policy adviser to the UK government, addressing issues including the structure of the pensions market, access to finance for small businesses, financial inclusion, and genomics. He has participated in ethnographic studies at Trinetra since 2017 and has written extensively on topics such as financial inclusion and regulation. He works with two human rights charities to counter discrimination and inequality.

Beatriz Urgel

Beatriz is responsible for the Trinetra Foundation and is a non-voting member to avoid conflicts of interest between the investment manager and the foundation. Beatriz worked form 2006-2013 in the Carbon Emissions industry, for Carbon Resource Management and CAMCO. She acts as a bridge to share the environmental and social views of the Trustees of the Trinetra Foundation who all have strong ESG credentials.

ESG Implementation

ESG is core to our process and is fully integrated into the way in which we operate, from our beliefs, our purpose, and our values, to our investment process, our immersions research in consumers' homes, bottom-up analysis, risk management, portfolio construction, and stewardship.

We believe that ownership of the entire process provides members of the EC with information that helps them to better assess risks and to actively engage with managements.

Sources of ESG Information

Trinetra believes that social issues cannot be identified or understood from a top-down perspective or from an unsuitable setting, like in an office 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 Emerging Markets.

To work on social issues, investors, we believe, 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 experiences of the respondent's 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 the "4 i" process 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 – the 4 i process – Source: Trinetra

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, press releases and other publicly available sources, discussions with management and raw ESG data from Bloomberg.

Respondents whose lives Trinetra studies in Immersions – Source: Trinetra

Team Incentives

The team performs a biannual review, assessing each team member's values, and ensuring that they are aligned with Trinetra's culture, the firm's beliefs, and its purpose. We understand that every hire comes with their own values and understanding what drives their actions help us better understand the risks within our organisation.

The outcome of the last biannual review, which was held in July 2020 is disclosed under Principle 1.

Another outcome of the team values assessment is that we are able to better understand each other's standpoints in many contexts, something that we believe can engender harmonious working relationships and closer collaboration.

Trinetra is 100% owned, funded and managed by its Partners, all of whom work full time at Trinetra. Each of the partners is invested in Trinetra's funds to ensure alignment with client interests. The Partners have contributed a material part of their net worth as Partnership capital and receive a share of the net income of the firm. Partners are therefore incentivised to achieve long-term growth and success for the business.

Both performance reviews and the application of our remuneration policy, which includes stewardship criteria, involve assessment of each team members' performance through the lens of Trinetra's culture, its purpose, and the specific goals set by the team member. Our team understands that good stewardship is central to long-term performance, which ties in with our purpose and values.

For example, collaboration is key to our culture, and contributes to our ability to remove our individual biases in ethnographic studies. We also collaborate closely as a team when attaining a broader view of risks, including ESG risks.

A further example is that the 3rd element of our purpose is to help companies to overcome their behavioural biases. Analysts are expected to actively engage in both sharing Immersions research and in helping companies to better understand the risks that we perceive they face.

Because it is not always easy to identify a single measure to evaluate and quantify our stewardship activities and achievements, we continue to work to find better ways to measure the effectiveness of our stewardship activities.

Diversity & Inclusion Policy

Ethnographic research requires a collaborative approach between diverse team members to help remove the biases and preconceptions that we each carry as individuals based on our upbringing. That means that we can listen to the subjects of our studies without bias. Every team member at Trinetra comes from a different ethnic background, and we strongly believe that our diverse workforce supports our stewardship activities.

Trinetra is committed to being an equal opportunities employer and operates under a full Diversity and Inclusion Policy. Its recruitment, promotion and all other selection processes are based on an objective set of criteria, avoiding discrimination against all protected characteristics. The process is transparent to the wider partnership so that team members can challenge in confidence a potential breach of our policies.

All colleagues are required to sign a declaration on an annual basis, attesting to having understood our Diversity Policy, and agreeing to work to the standards expected, treating colleagues, visitors and interviewees with respect and dignity, and without discrimination. It underscores the need to encourage all employees to fulfil their potential, and to select others for employment and promotion on the basis of ability and aptitude. The policy applies in the workplace as well as certain settings outside of the workplace.

Trinetra's Diversity and Inclusion Policy contains a section on Immersions interviews, setting out the need for ethnographers with whom we work to act within the scope of our policy, albeit in the context of the cultural norms in the countries where they work. When interviewing respondents, Trinetra employees are required to be non-judgemental, even when respondents may shock, offend, or when they might breach our Diversity Policy, to which they have not been required to adhere.

Diversity Metrics for 2020

We believe that diversity is a core strength that contributes to our collective culture. We are a small boutique and do not have specific targets for diversity. Our team members all come from different cultural backgrounds:

- 40% of our team are women (33% of partners)
- 20% are LGBT (33% of partners)

We make extensive use of ethnographic consultants. In 2018 a consultant firm provided us with an analysis of the 4,000 hours (effectively 2 FTEs) that were involved in the work provided to us:

- 74% are women
- 56% are from the bottom of the pyramid

Case study: Working in alignment with team member values

In July 2020, based on feedback from a team member with parental responsibilities, we amended meeting times and allowed more flexible working hours. This enables parents on our team to look after their children, and to take them to or from school. It has also contributed to the design of our IT architecture which enables seamless working whether in the office or at home.

Visit to a village school, India, January 2020 – Source: Trinetra

Principle 3

Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Managing Conflicts of Interest

A key plank of good Stewardship is our duty of care to act in the interests of our clients and other stakeholders. However, we recognise that conflicts of interest can arise in the course of the investment management business from time to time and have therefore taken steps to manage these potential situations.

At the core of managing these potential risks is Trinetra's Conflicts of Interest Policy, which outlines the requirements to identify, manage, mitigate, record and disclose potential conflicts. The aim of the policy is to ensure that the interests of clients are always protected, and that the Trinetra and/or any associated parties are not unfairly favoured at the expense of others.

Examples of Conflicts of Interest

Conflicts could arise for the firm or a relevant person in the context of:

Creating a new product

A new product or service can generate a conflict of interest as it could take capacity and liquidity away from the existing products and clients. Moreover, it could generate a conflict of focus and resources, including staff working on the legacy products in preference to new products. For that reason, Trinetra is, and intends to remain, a focused, single strategy firm.

Ownership Structure

A conflict of interest could arise between delivering long term performance for clients, which the investment team is responsible for, and managing the profitability of the asset management firm, which management is responsible for. To avoid this conflict, Trinetra has not accepted any external capital, and the investment team runs the firm, funded 100% by the partners' personal capital.

Gifts and Entertainment

Employees, through their interactions with clients and suppliers, could accept gifts or benefits which could be seen as inducement and might not be in the best interest of clients. It is Trinetra's policy not to pay or accept any third-party gift or benefit unless it is designed to enhance the service and delivery to clients and does not impair compliance with the Firm's duty to act honestly, fairly and professionally and in the best interests of clients. All gifts or entertainment between £35 and £70 need to be notified to the Compliance Officer, and any above £70 require pre-approval.

Remuneration

In the case of discretionary bonuses, there is a risk that employees put their interest above those of our clients in order to meet their bonus targets. The senior team members are all partners and no discretionary bonuses are paid to them. The senior team members receive a percentage of the firm's profits. Discretionary bonuses to employees are linked to the overall performance of the fund over multi-year periods with longer periods, such as three- and five-year performance given greater weighting than single-year performance, therefore reducing the risk of a short-term focus.

Personal Account Dealing

Employees of financial services firms who make personal investments could generate a conflict of interest risk between their personal trades and those placed by the firm. Trinetra's Personal Account Dealing Policy therefore requires approval from the Compliance Officer before an individual makes any personal trade. The policy also restricts trading of any Emerging Market equity issuer or a developed market issuer with more than 20% of profits in Emerging Markets, thereby removing any company that is in Trinetra's investable universe, or that could otherwise enter it with reasonable likelihood in the future.

Allocation of orders between different client accounts

There is a risk of potential different treatment between the different accounts, for example, pooled vehicles and segregated mandates, that the firm manages. These potential risks are managed through Trinetra's Trade Allocation Policy, the substance of which is pre-programmed in the Firm's Order Management System, Bloomberg AIM. Allocations for IPOs are calculated by the CIO and approved by the Compliance Officer to reduce the risk of conflict.

Inside Information

From time to time, investment firms are offered the option to be given material non-public information (MNPI), or inside information. If accepted, a "Chinese Wall" must be created, and the employee who is in receipt of the information must ensure that it is not shared with any other persons in the firm. Procedures for management of inside information are detailed in Trinetra's Compliance Policies and Procedures Manual. It states that the firm will generally choose not to be "taken inside". The only factor that may cause us to voluntarily receive MNPI would be if it is in our clients' interests to do so. Having been taken inside, voluntarily or involuntarily, our procedures dictate that the relevant stock or stocks is/are put on the Restricted List, and trading in the stock or stocks is not permitted until the MNPI concerned has been made public. As such restrictions on trade might not be in the clients' best interests and might not represent good stewardship of their funds. Consequently, no member of the team has accepted being taken inside.

Conflicts of Interest Register

Any real or potential conflicts of interest are reported to the Compliance Officer, who records them as per SYSC 10.1.6, in a Conflicts of Interest register. Any information recorded forms part of the Compliance Report to the Executive Committee. During 2020, no conflicts or potential conflicts were recorded.

Conflicts of Interest Policy

The Conflicts of Interest Policy covers: •

- identification of conflicts, including some examples of types of conflicts;
- recording of conflicts;
- conflict management and avoidance;
- conflict disclosure;
- conflict monitoring; and
- conflicts training.

The policy can be accessed here https://www.trinetra-im.com/responsible-investing.

All partners and employees are required to read and sign a quarterly attestation that confirms their adherence to the policy. The Executive Committee is responsible for ensuring that controls and procedures are adequate to identify, manage and monitor conflicts of interest. The Compliance Officer updates the policy annually. It is then approved by the Executive Committee.

Risk Committee

Trinetra's Risk Committee meets on a quarterly basis and assesses the probability and materiality of all the risks faced by the business, including those relating to conflicts of interest. Where a conflict of interest risk has been identified, processes are put in place to monitor and control the risk. Any failure to adhere to our policies may be held to be a breach of an employee's contract, including failure to declare an interest. Such a failure will be regarded as misconduct and may lead to disciplinary action being taken against the individual concerned.

Beyond our Conflicts of Interest Policy

Alignment with our clients' interests is reinforced as members of Trinetra's senior management team invest a material-proportion of their liquid wealth in the Trinetra Emerging Markets Growth Fund. We believe that this ensures and supports good stewardship through alignment of incentives with our clients' interests.

Outcomes: actual or potential conflicts of interest

No actual or potential conflicts arose in the reporting period.

We expect to face a potential conflict of interest when the Trinetra Foundation becomes active because a member of the Board of Trustees of the Trinetra Foundation is also a partner at Trinetra Investment Management LLP. In anticipation of this potential conflict, this partner has no voting rights in Trinetra Investment Management. No other Trinetra Investment Management partners or employees are Trustees of the Trinetra Foundation.

Principle 4

Promoting well-functioning markets

Signatories identify and respond to market-wide and systematic risks to promote a well-functioning financial system.

Identifying Market-wide and Systematic Risks

There are 5 elements to the process through which we identify market-wide and systematic risks:

- Investment Process
- External Networks
- Communicating our Research and receiving feedback from clients and other market participants
- Collaborative Engagements
- Ethnographic Research

Investment Process

As reported under Principle 1, we believe that strong risk-adjusted returns can be generated from long-term investing by understanding and predicting consumer trends and by analysing the companies which can benefit by capturing these trends with their products and services. This requires investors to take a holistic approach to all risks, especially Environmental, Social and Governance (ESG) risks.

We believe that our long-term focus helps to promote a more efficient and well-functioning financial system. We approach our investments with a minimum investment horizon of five years and engage with management to ensure that they have an equivalent mindset, especially with respect to their appreciation the various risks that face them, and their approach to managing those risks. This is important to address all risks, including ESG risks, enabling them to address long-term challenges, which include climate change.

We select the companies we invest in through our in-house fundamental research. This process starts with our ethnographic studies, which we call Immersions, as we describe under Principle 6. This structured selection process and our immersions insights help us to identify companies that we would consider for investment. By virtue of our long-term focus, combined with engagement with investee companies on both risks and driving the UN Sustainable Development Goals ("SDGs"), we can build a portfolio to optimise risk-adjusted returns and that is resilient to market-wide systemic risks. We believe that companies contribute to reduced systemic risk when they have strong internal risk management control processes. This, we believe, is further enhanced in companies which provide goods and services that are aligned to the UN SDGs and which aim to create a better and fairer world by 2030.

When we engage with companies we share and discuss our independent risk assessments, which highlight the long-term focus of what we view as material risks that can affect their positioning in the

future, including market-wide systemic risks, such as environmental risks. We encourage management to more effectively focus on long-term issues as opposed to reacting to short-term noise.

We similarly use our engagement with companies to build a better understanding of the risk that they view as systemic and the mitigating controls they have put in place.

Our Immersions research focuses on understanding social issues in Emerging Markets, and on seeking out any solutions to those issues. This approach keeps us away from investing in polluting companies in sectors such as Energy, Materials and Utilities, where our portfolio weight is zero, which it has been since inception.

For example, in our immersions research we encounter women in both rural and urban areas that lack access to sufficient information to enable them to lead a healthy lifestyle. Use of sanitary napkins reduces the risk of infections from cloth alternatives and promotes healthier reproductive lives. Similarly, the use of nappies reduces the burden of childcare as it allows for a good night sleep for both the child and the mother. The use of such products supports six UN Sustainable Development Goals (SDG's): Goal 1 – No Poverty, Goal 3 – Good Health and Wellbeing, Goal 4 – Quality Education, Goal 5 – Gender Equality, Goal 8 – Decent Work and Economic Growth, and Goal 10 – Reduced Inequalities. These products nevertheless cause environmental pollution, exacerbated by the fact that many rural areas have no access landfill sites, so many consumers rely on incineration for their disposal. We consequently focused our investment on Unicharm, which uses paper pulp, reducing CO_2 emissions caused by incineration.

External Networks

Our analysts are experienced in their respective sectors and have an in-depth understanding of market-wide and systemic risks. We augment our analysis with the UN Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) checklists for sustainability risks by Industry to ensure that all material risks have been considered.

We believe that the SDGs provide a uniform framework that can help investors to understand both the positive contributions that companies make in meeting those goals and the risks to which the companies are exposed. For example, in deciding to invest in a Brazilian airline, we weighed the positive impact of better connections for lower-tier cities, allowing them to develop and prosper, against the carbon emissions produced by aircraft.

Communicating our Research and getting feedback from clients and other market participants

Our investment team regularly contributes to the investment community through keynotes, webinars, podcasts, blogs, interviews and articles, discussing the risks that occur within investment and assessing ongoing market events and trends. The CIO is part of the Faculty of the Portfolio Construction Forum in Australia and regularly delivers presentations on market-wide issues. For example, he presented a Keynote at Portfolio Construction Forum's Strategies Conference in October 2020 about how during the COVID-19 crisis, anxiety about the virus and its impact took centre stage, creating new biases and driving behavioural changes among both consumers and investors.

We hope that by sharing our insights we can encourage a deeper discussion around market-wide systemic risks and to encourage more sustainable capital allocation and management. We aim to encourage participants to hold more structured discussions around risk as opposed to reacting to market movements.

Collaborative Engagement

Our core skills are in conducting ethnographic research and understanding consumers and trends. We feel that we can generate more value by acting as consultants to the companies in which we invest. We will seek to join collaborative initiatives when they are aligned with the work we do and when such actions enhance the value to our clients and beneficiaries.

We are a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and are working towards our climate-related reporting in line with its recommendations. We encourage the companies in which we invest to report in a way that is consistent with the TCFD recommendations. Such action will provide more accurate information on the systemic risk of climate change and how they are contributing to its mitigation.

Since 2017 we have been a signatory to the UN Principles for Responsible Investment (UN PRI), which promotes sustainable investment practices through incorporating environmental, social and governance (ESG) factors into investment process. We believe that this network of investors will promote more efficient capital markets. In 2019 the UN PRI shone a light on the issue of deforestation and forest fires in the Amazon. We became signatories of the Global Investor Statement that sought to eliminate illegal forestation and fires in the Amazon and elsewhere, and to reduce legal forestation. While we are not directly exposed to the meat producers that are a primary cause, we adapted our risk methodology to monitor and actively engage with managements of companies that use meat products in their supply chain.

In 2020 we collaborated with the UN PRI and participated in its consultation survey for the PRI Strategic Plan 2021-2025, providing feedback on the proposed changes and areas to consider going forward. We also used our ballot to vote for the selection of the 2020 PRI Board member to represent Investment Managers. We based our selection criteria on the skills, knowledge and contribution to the Board, and for 2020, specifically, on a candidate whose focus was to incorporate the latest and best ESG practice into the selection criteria and reporting of PRI signatories, and to advocate for a more balanced and diversified representation of Investment Managers in the Board. We agreed with these initiatives being crucial to ensure that the UN PRI remains a relevant and influential body which will help it not only to achieve its primary aims, but also to contribute to market efficiency.

In 2020 we endorsed 2 initiatives that seek to ensure a sustainable response to the COVID-19 pandemic, namely the PRI COVID-19 Response and the Global Steering Group Leaders declaration for a just and sustainable future. Both initiatives are aligned with our core beliefs.

We believe our participation in the initiatives above to be an effective way to contribute to the identification and response of market-wide systemic risks, and the promotion of better functioning markets.

Ethnographic Research

Finance theory views the pursuit of profit as a universal law. While the calculation of the financial value of a company based on future cash flows has not changed over the past century, the way in which we risk-adjust returns has. For example, society today would be less tolerant of a company dumping chemicals into a local river or using child labour, regardless of the future cashflows that it would generate through those activities.

We believe that it is important to understand such shifts in culture and values as part of the assessment of market-wide and systemic risks.

Trinetra uses ethnographic research to understand and map values across Emerging Markets and how they are shifting. Our Immersions studies in 2020 included analysis of the shifts in both Indonesia and India from individualism to more collective values. This shift helps to address environmental concerns more effectively, but it also increases the risk of tribalism, of higher levels of conflict between different ethnic groups, and of more polarisation in politics.

Ethnography has for years been the essential means of garnering consumer insights to map changes and the reasoning behind them. Due to the pandemic, in 2020 we shifted ethnography from physical to digital.

To compensate for the clues which can be missed without being physically present with someone in their home, we use digital diaries and virtual panels to monitor the changing habits.

Digital Diaries in the pandemic – Source: Trinetra

Aligning investment with market-wide and systemic risks

There are certain market-wide and systemic risks, for example those associated with extractive industries, energy and utilities that are significant polluters. Trinetra does not invest in these industries.

For the companies that provide solutions to social issues in Emerging Markets, we look for the following characteristics, as we believe that they provide the right profile for long term resilience:

- They can offer a solution to people's problems and therefore capture a growth trend.
- They have sustainable business models.
- They have quality management, who:
    - have interests are aligned with investors' interests
    - have demonstrated past discipline in managing cashflows and balance sheets, so we can reasonably expect to receive incremental returns when we give them incremental capital
    - have implemented strong risk management frameworks.

We believe that a company with a strong internal risk management framework is often receptive to input on potential risks, especially from work such as Immersions, as this improves their chances of success and their resilience to market-wide systemic risks. We monitor companies continually on how they address the issues raised during our engagement. We consider collaboration with other investors if we believe that it would enhance the results of the engagement in terms of clients' and beneficiaries' interests.

Outcomes

Although the identification of risks is conducted on a bottom-up basis, the overall risks are aggregated at the portfolio level to give an overview of how systemic these risks are, or how significant a risk is to our portfolio. For example, in 2020 during the COVID-19 pandemic, we were concerned about companies which saw a material deterioration in cashflows during the pandemic due to lockdowns. We feared that they might not be able to refinance their debt. Although the median company in our portfolio held a net cash position, there were two outlier companies in our portfolio that we expected to need refinancing, so we decided to exit those positions. Similarly, we had two heavily indebted companies which we believed would be able to survive a prolonged COVID-19 correction without the need for dilutive equity capital increases, so we added to both of those positions.

The COVID-19 pandemic put a historic strain on the markets. A key part of the way we identify market-wide and systemic risks is through Immersions research, whereby we visit consumers in their homes in their villages and towns in Emerging Markets. The last physical study that we managed to conduct was in India in late January 2020. After that we had to resort to digital immersions. Although digital immersions do not constitute an optimal substitute for physical immersions, they proved to be the best alternative in lockdowns and provided invaluable insight in helping us to understand the systemic risks faced by the companies, and thus helped us to position our portfolio. As such, we believe that our approach and strategy have proven effective in being able to provide value for our clients and beneficiaries even in the difficult circumstances of 2020, during which our funds performed well both in absolute and relative terms.

In 2021 we believe that we could do better in identifying market-wide and systemic risks by collaborating in areas where our ethnographic research provides a differentiated view. For example, we plan to work more closely with the Organisation for Identify and Cultural Development (OICD) which works to counter critical global issues including climate change denial; vaccine hesitancy; the rise of misinformation; and economic exclusion.

Principle 5

Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Policy Governance

Review of Policies

We review each of our policies periodically, and at least annually. Policy reviews are often driven by regulatory changes, but feedback from our team members and our clients can also act as triggers for reviews.

We have engaged a specialist regulatory consultancy firm to support the review process. The consultancy firm helps us to ensure that our policies cover every element of newly applicable rules, and that our processes incorporate the necessary changes for their effective application.

The Executive Committee is responsible for the approval of all our policies. Employees and team members are provided with reviewed and updated policies and are required to sign attestations that confirm their adherence to them.

Policies are formulated to be aligned with our philosophy and our beliefs, which incorporate stewardship and sustainability principles at their core. We listen to our stakeholders and continuously aim to implement changes to our policies and procedures that will improve stewardship.

Some examples of the reviews carried during the reporting period

We conducted a review of our proxy voting policies that led to more specific voting guidelines about, among others, diversity on company boards, director remuneration, and capital structure. We have a training program in place to ensure that our analysts vote in accordance with these refined guidelines.

The introduction of the European Shareholders' Rights Directive II ("SRD II") provided us with the opportunity to review our engagement and voting policies, as it requires asset managers to incorporate active engagement and voting practices in their investment strategies. Although we had an option to opt out of the reporting obligation, we chose to comply with it as it is aligned with our core values and our commitment to stewardship. We publish an annual report on our website that provides transparency with respect to our engagement activities.

We reviewed and formalised our Diversity and Inclusion Policy and have established a process that allows us to quantify our efforts in promoting diversity and inclusion in our firm and when engaging services from third party providers.

It is our objective to be transparent about our stewardship activities and to provide clear and detailed reporting to our stakeholders and to the public. Linking to our purposes, we believe that sharing our

findings and experiences can contribute to positive impact across the industry and the wider community by providing lessons learned and good examples of what works best. It is with this objective in mind that we develop reporting that gives a complete picture of the why, what and how we do it, and that is easily understandable by all, by using plain language and comprehensive examples.

Rural Maharashtra, India – Source: Trinetra

Principle 6

Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

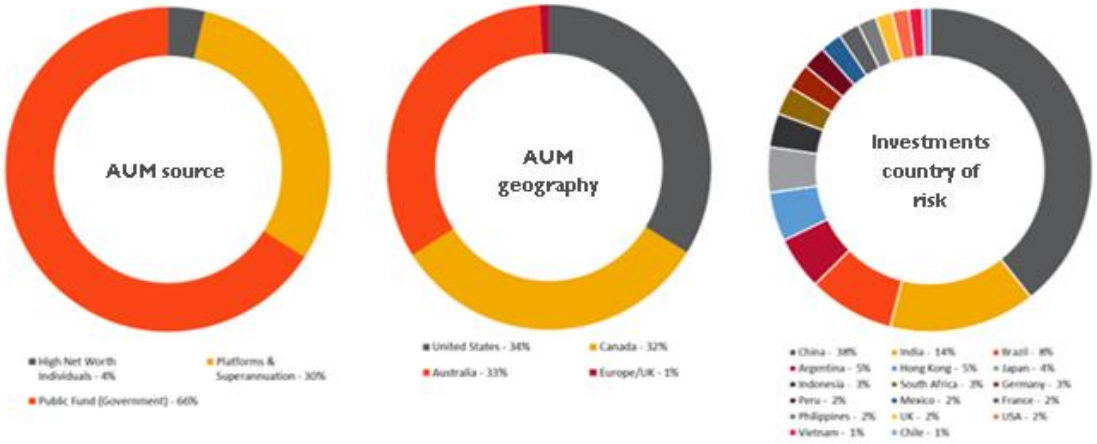
Our Clients

Client base breakdown

As a specialist boutique asset manager, we manage a single strategy, investing in listed Emerging Markets equities, focusing on companies that we believe will benefit from the rise in domestic consumption. As a result, we do not invest in sectors such as Energy, Resources, Utilities or sectors that depend on developed market demand, like semiconductor companies, for example. Our strategy does not allow for any investment in any other asset classes, in derivatives, nor to employ leverage. In 2020 we held roughly 50 Listed Equity positions. Fund accounting for our pooled vehicles publishes daily prices and we publish all our positions with a one-month delay. We therefore believe that our business model is transparent, especially given the low level of complexity.

Client assets are in both pooled and segregated accounts. Our clients are a combination of pension funds and wealth management providers, and are located predominantly in Australia, Canada and the USA. Government pension plans constitute the largest class of investors in the strategy. We do not market directly to retail investors, however they can access the fund through retail platforms in Australia, where the fund is included in a model account by local consultants.

Assets under Management – Breakdown



At the end of December 2020, our Assets under Management amounted to $123 million, approximately equally split between the three countries mentioned above. The assets that we manage are invested in emerging market equities. We define emerging markets based on the location of

revenues and profits rather than the country of listing or incorporation. A small percentage of assets are held in cash to ensure liquidity.

Investment time horizon

Our investment time horizon is five or more years. We are focused on long-term performance driven by our research findings. Our ethnographic research into consumer culture and behaviour is designed to provide insight into long-term Emerging Markets consumption trends, and to identify these before they have manifested in data produced by companies and governments.

The long-term nature of our investment strategy is especially aligned with the multi-year investment objectives required by the retirement of pension plan scheme members, which represent our largest client group.

Communicating with clients

Because of our distinct approach to responsible investing, we spend a substantial amount of time working with clients to ensure that they understand our investment philosophy and methodology. We recognise that transparency is an important feature of effective stewardship and we have been open to sharing details of our in-depth research, approaches and activities with clients and other interested parties.

Sharing with the Public

In line with our stated purpose of wanting to change the way that investors understand and act in Emerging Markets, and our recognition of transparency as an important feature of effective stewardship, we share our views, finding and high-level insights with the wider public via various channels. Examples include:

- **Responsible Investing Report:** An annual analysis of the responsible investing activities of Trinetra such as process, engagement by issues, engagement by SDG as well as numerous case studies from our Immersions studies. These case studies aim to humanise and explain the social issues and help our clients understand them (available at https://www.trinetra-im.com/responsible-investing).
- **Responsible Investing and ESG Policy:** This policy explains how Responsible Investing and ESG is integrated in the Trinetra Investment approach (available at https://www.trinetra-im.com/responsible-investing).
- **UN PRI submission:** We have been signatories to the Principles for Responsible Investment since our inception, and our responses to the annual questionnaire are available online on the UNPRI website.
- **Proxy voting records:** We publish our voting record quarterly on our website. The record provides details on each company's proposed resolutions, the management recommendation, the proxy voting policy recommendation, and how we voted, whether for, against, withheld or abstained, and the rationale (available at https://www.trinetra-im.com/responsible-investing).

- **Proxy voting policy:** This Policy provides clarity to our clients as well as to companies in which we invest on how we intend to discharge consistently and responsibly our proxy voting obligations (available at https://www.trinetra-im.com/responsible-investing).
- **Engagement Policy:** This Policy provides transparency to both clients and companies on the issues we will engage on (available at https://www.trinetra-im.com/responsible-investing).
- **Conflicts of Interest Policy:** This Policy provides transparency on the steps we take to ensure that conflicts and potential conflicts are managed objectively, and that clients are treated fairly.
- **Monthly performance factsheets:** These publications show performance for our Australian Trust and positioning of the portfolio by company, sector and country (see https://www.trinetra-im.com/aus-trust).
- **Consultant databases:** We provide monthly and quarterly updates to eVestments, Mercer's GIMD, MorningStar and to Cambridge Associates to allow clients to compare our performance and positioning relative to our peers.
- **Keynotes:** For example, see *Focus your sustainability efforts on clients not managers* given at Portfolio Construction Forum in Australia in Feb 2020; and *COVID-19 is a blueprint for an Emotionomics 2.0 world* given at Portfolio Construction Forum in Australia in Oct 2020. (see https://www.trinetra-im.com/insights)
- **Podcasts:** These are available on iTunes, Spotify, Amazon, to the public. Podcasts included:
    - Growing environmental awareness in EM and other trends to watch
    - Investing in the time of COVID-19
    - Are EMs about to benefit from a longevity dividend?
    - Spotting trends in an anxious world
- **Blogs/Infographics:** We have published a number of blogs/infographics on our website, for example *Lower socioeconomic groups fuelling Growth of Private Healthcare in EM*s. A range of Trinetra's ESG research can be found at https://www.trinetra-im.com/insights/categories/esg

Bespoke reporting to clients

- **Monthly or Quarterly Reporting:** Clients of our pooled vehicles receive monthly reports detailing the performance of the strategies, discussion of the research the team is undertaking, buys and sells in the portfolio, analysis on the best and worst contributors to returns, and an explanation of proxy voting proposals where we voted against management or against our own policy. We also provide bespoke monthly or quarterly reporting according to prescribed content formats for our clients.
- **Presentation of Immersions findings:** We present our findings from Immersions studies to our clients, including to their colleagues who invest in public equities. We discuss how our findings relate to major trends and to market-wide and systemic risk.
- **Company Research:** Analysts maintain their research notes and presentations on specific portfolio holdings, which cover among other things our findings from Immersions, investment cases, market outlook, competitive analysis, ESG and risk reviews, and key SDG metrics for the company. Details of these are shared with clients on request.
- **Why we own each company in the portfolio:** The research team maintains a summary

document with the investment cases for each stock held in the portfolio in order to help clients to better understand how the portfolio is constructed and the strategy and rationale behind it.

- **ESG case studies:** We record ESG case studies of engagement with companies. We report these to our clients and try to help them better understand social issues in Emerging Markets, and how we work towards providing solutions to these issues.

Taking Account of our Clients' Views

As a small boutique offering a customised service, we always seek to take into account our clients' views. As such, we also focus on educating and informing clients who might make different assumptions about Emerging Markets and their development trajectory, or might understand them differently. We therefore strive to understand our clients existing views and perspectives and discuss these in the context of our on-the-ground ethnographic research.

This engagement is conducted via regular Emerging Market trend updates, using blogs, white papers or podcasts, with current market analysis e-mails to clients, and regular fund review meetings. In these meetings with clients, we welcome and encourage discussion on the issues and frequently field questions on a range of Emerging Market and sector topics.

Our fund review meetings' agendas always include a feedback or suggestions item where we ask how we could better address their needs. We also look to discuss any potential areas of collaboration. We choose to have a direct communication with clients to receive their views, and so that we can ask questions, ensuring that any changes that we are contemplating would meet their needs.

Throughout the market turbulence of 2020, we produced extra podcasts in particular on consumer reaction to the COVID-19 pandemic in response to client demand. This included *Investing in the Time of COVID* on 2 April as well as a follow up a podcast a month after that when market volatility dropped. Also based on client feedback we produced a blog entitled *Digital ethnography: Understanding people not only in a COVID world* as clients were asking about the longer-term impact versus short-term reactions during the peak of the pandemic.

Managing assets in alignment with clients' stewardship and investment policies

Trinetra was established 5 years ago as a dedicated investment boutique that uses ethnographic research to capture growth opportunities in Emerging Markets. Our focus on the Social element of ESG is welcomed by investors looking for a differentiated approach going beyond immediate social impact within the companies in which they invest, looking in preference at the wider social impact on society. This not only meets their performance requirements, but also supports sustainable economies.

Our clients are mainly institutional and approach stewardship with diligence and sophistication, something that is reflected in clear guidelines, restrictions and obligations defined in the investment mandates (usually as part of an Investment Management Agreement) that govern our investment management services.

We agree with these clients our reporting obligations in order to provide transparency and visibility on how we have managed their assets in alignment with their stewardship and investment policies. These reports are varied and depend on each client's requirements. Proxy voting and sustainability reports are standard elements of our communication with clients.

Any investment policies or stewardship requirements of clients are programmed, where applicable, into our pre-trade compliance systems and they are monitored at a Weekly Portfolio Review Meeting.

We make all of our policies available to clients on request. For certain clients, the provision of the policies and any future updates is embedded in our contractual obligations as part of the Investment Management Agreement that we sign with each client.

Before a client engages our services, we go through a detailed Due Diligence process. This allows both sides to assess how well the service required by the client and the service offered by Trinetra are matched. The opportunity arises to identify areas of concern and regulatory obligations, as well as whether and how they can be bridged. Therefore, by the time come to act as an investment manager for a client, we are well aware of their needs.

Our approach to understanding clients' needs is based on transparent reporting, direct engagement with clients and constant communication. Our institutional client base is attuned to our investment philosophy, and we keep an open approach to discussing with them any changes they might consider appropriate to fulfil their needs.

Outcome

We believe that we have been effective in taking into account our clients' and beneficiaries' needs, and in communicating to them the activities and outcomes of their stewardship and investment. This has been easily achieved because we are a small boutique offering a customised service. We have clear capacity targets for AUM where we will soft and hard close our strategies. In future periods, we plan to consider putting a limit on the number of client accounts that we will manage to ensure that we can continue to offer the same customised service that we offer today. One strain in our process is that the investment team produces all the communication reports for clients. Therefore, in the future we could consider hiring a dedicated individual to help with the organisation and communication of our research and stewardship efforts to clients.

Principle 7

Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Principles of Trinetra's ESG Integration

As we outlined under Principle 1, Trinetra runs a single strategy. Our long- term, active engagement approach has stewardship and sustainability at its core and is fully integrated in Trinetra's investment philosophy and process. Our Responsible Investing and ESG Policy was developed to document 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 across our strategy. It also contains details of our Voting Policy, our Engagement Policy, and our compliance with certain regulations. Our RI and ESG Policy can be accessed at https://www.trinetra-im.com/responsible-investing.

One of our core beliefs, and one that drives our ESG integration approach, is that solving social issues is fundamental to ensuring environmental sustainability. We believe, this is best understood thought the Doughnut Economics Framework.

Doughnut Economics

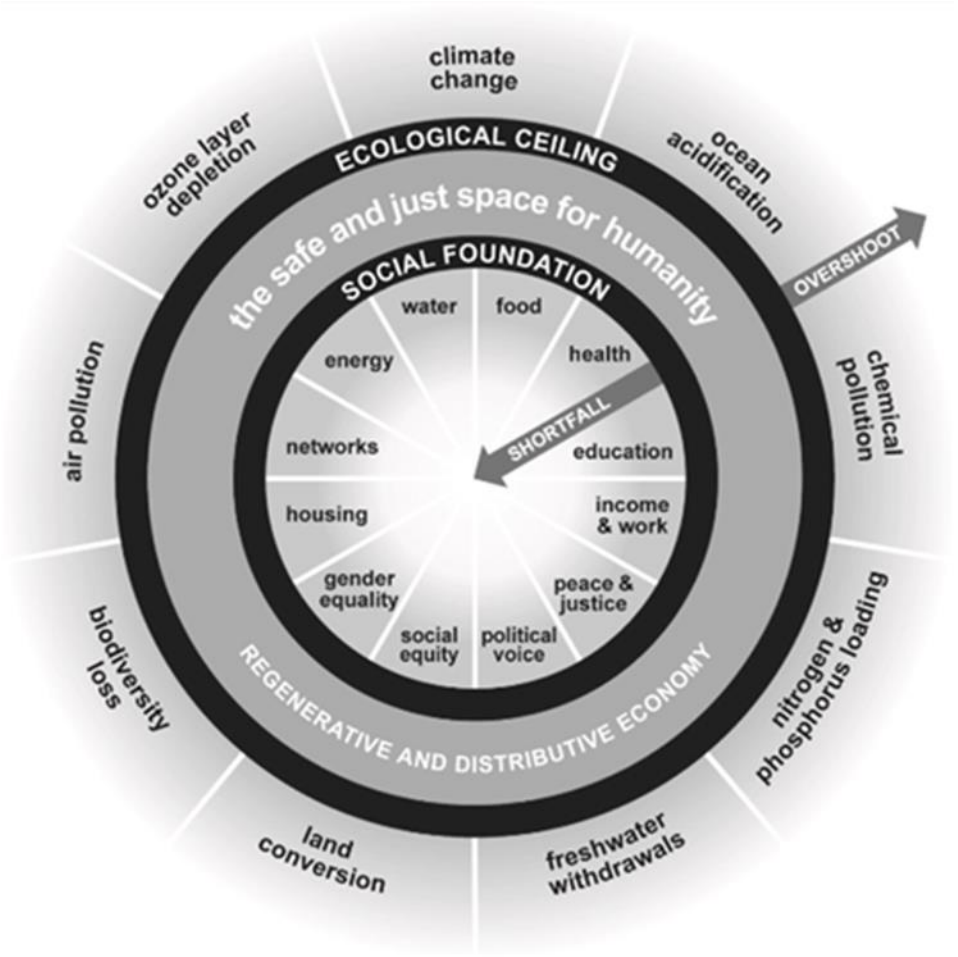
The framework created by Oxford University economist Kate Raworth is useful for looking at climate risks and for considering the social risks that are key to Emerging Markets investing. In her book *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, Raworth used the "Planetary Boundaries" model as the outer ring of the doughnut. This provides a framework to protect nature that keeps our earth stable.

Raworth added an inner ring that represents the social foundation to which we must aim to raise everyone, to create a fair and just world. This should resonate with investors as encompasses all UN SDGs.

While concerns over environmental damage are a key priority for many ESG investors, they sometimes forget about the positive social aspects, particularly those which are hard to measure. We believe that addressing the challenges for those left behind is not only the right thing to do, but ultimately also makes good environmental sense.

By extending our time horizons, the "doughnut" highlights that environmental solutions are unstable unless we also solve Emerging Market social issues, for example, demographics in Emerging Markets.

Doughnut Economics Diagram



ESG is integrated into our investment process, with the following stages contributing towards Trinetra's investment decisions.

- Immersions Research
- Security Selection
- Active Engagement and Escalation
- Voting
- UN Sustainable Development Goals

Immersions Research:

During Immersions studies Trinetra meets with consumers in Emerging Markets 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. As described under Principle 1, Trinetra studies the lives of people within different socioeconomic groups, predominantly: people at the bottom of the pyramid; women seeking gender equality; migrants; youths from less advantaged regions; and older adults extending their working lives.

In contrast to many quantitative ESG investment research processes, this is an expressly qualitative part of the process. Ethnography, involving the study of culture and values, and garnering insights into how this will translate into investable ideas is by its nature qualitative. It seeks to provide insight into trends about which data, and the means to analyse it quantitively, does not yet exist.

The outcome of the Immersions Research stage is that we compile a universe of companies that we believe can provide solutions to the problems that we encounter. Some of the products, services and companies are mentioned by respondents during the research, while others are added to the universe following research into companies that we believe will provide relevant products and services in the future.

The research team then researches companies in the universe in greater detail in the security selection process.

Trinetra's research team visiting rural areas – Source: Trinetra

Case Study: Access to Affordable Healthcare Improves Demographics

Access to free healthcare is generally seen as a good thing for humanity, and in some countries this is ingrained as a right for all.

Our studies in India showed us that in some villages, easy access to a pharmacy, or the ability to access health services without taking a lot of time off work, had a considerable impact on people's lives. Free government healthcare is viewed as costly by patients who have to travel long distances, queue up for diagnosis, queue again for treatment, and therefore miss a day's wage. Villages with easy access to healthcare services saw a drop-in fertility rate, something that health experts put down to the presence of children's health workers (the Anganwadi program). Because more children survived the early years, parents saw less need to have yet more children.

The availability of cheap mobile data and proliferation of smartphones also changed the medical services offered. One of the areas of our engagement with a hospital chain we own in India has been on how they move to offer medical assistance using smartphones to people who would otherwise travel long distances to access high-quality healthcare. In 2020, the hospital chain successfully launched its digital "telemedicine" services, substantively improving access to high-quality medical consultations. It reduces the need for patients to decide whether to take time off work and lose pay or to take care of their or their family's medical needs. Following their management actions in expanding in telemedicine, Trinetra added to its positions.

Ethnographic Consulting firms support the integration of stewardship and investment

To be able to meet consumers in their homes, we work closely with ethnographic research consultants, who recruit subjects for our studies and facilitate the discussions. Under Principle 8 we explain in more detail the services that they provide.

Trinetra starts the planning process six months ahead of any study. At that stage, Trinetra presents the ESG issues it would like to address in the studies. The consultant provides feedback on how those specific issues might need to be adapted for the specific market and will also bring to our attention any other ESG issues that their on-the-ground ethnographers believe are relevant.

Over the subsequent three months, Trinetra and the ethnographers work closely with each other to define the ESG topics to be studied. Once the topics are defined, the ethnographers design demographic questionnaires, describing the type of individual whose life will need to be studied and achieve a representative cross section of society. The field recruiters will then identify suitable individuals.

To ensure that the ethnographic research firms have clear and actionable criteria, we start working with ethnographers months ahead of the study, providing continuous feedback. By effectively communicating the criteria and helping ethnographers to understand our objectives, they can help us adapt to most matters that may arise during the field studies.

Security Selection:

Trinetra does not invest in any company for which the investment team cannot gain a clear understanding of, and quantify, its ESG risks. At the weekly Portfolio Review meeting the analysts will explain the reasons behind their analysis. The most common causes for rejection are major governance issues.

Risk assessment is a critical part of the security selection process that seeks to derive risk assessment scores for each company. These scores seek to risk-adjust the expected IRRs for companies by adjusting the cost of capital, equivalent to a beta. Trinetra's risk assessment scores for each company are used to risk-adjust returns. The risk assessment incorporates ESG risks, 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.

Pre-mortem analysis

We fine-tune an analyst's risk score in a process that we call "pre-mortem." This involves imaginatively projecting ourselves forward, assuming failure of the investment thesis, and asking "what has caused this failure?" This change in "tense" within the question is a psychological tool that helps to provide more realistic perspective to a theoretical, future event. Each risk and their scores are then discussed by the team, using a big wall chart to aid visualisation of the probability and materiality of each risk. The objective is to bring to bear different experiences and knowledge of our analyst team in a collaborative process that seeks to eradicate analyst bias.

We consider ESG impacts in the widest possible sense, considering both the positive and negative effects that an investee company may have on the environment and/or society. We analyse and evaluate the company's environmental and social impacts, its governance policies and practice, its policies regarding dividends and executive remuneration, and its methodology for assessing the adequacy of capital investments. We also look at a company's positive impacts including their research and development and product innovation activities.

We negatively screen companies that are involved in or use:

- Adult entertainment
- Alcohol
- Child labour
- Cluster bombs
- Emissions
- Extractive Industries
- Firearms
- Fossil Fuels
- Fracking
- Gambling
- Landmines
- Tobacco

Each stock that is considered for investment undergoes a screening of quantitative ESG parameters using data extracted from Bloomberg. There are currently 42 measures in the Environmental section, for example Scope 1, 2 and 3 emissions and intensity, water usage and NOx emissions. There are 15 measures in the Social section, including percent of women in the workforce, and whether or not there is a policy against child labour. The 37 measures in Governance include levels of board and committee independence, tenure details, and measures on overboarding by directors and the chair.

An issue that we face as Emerging Markets investors is that reporting standards for many ESG measures lag those in Developed Markets. For example, Scope 1 GHG emissions are reported by 44% of the companies in our portfolio. Scope 3 GHG emissions are reported by just 33%. We do not believe excluding such investment to be an appropriate response. It is a reality that Emerging Market companies operate within different regulatory regimes and where priorities have been more on economic development than on ESG matters. Rather we believe that engagement with management to encourage them to adopt standard reporting methodologies will have a more positive impact.

In alignment with a core tenet of focusing on social issues, we intend for our portfolio to have a positive impact by making the world a fairer place, putting capital behind the companies that seek to solve problems for Emerging Market consumers, to level up with respect to access to goods and services that we may take for granted in Developed Markets.

We believe that while quantitative measures can be useful guides to measure certain impacts or risks inherent in a company's operations and management, other impacts and risks can be much harder to measure, in particular the positive impacts that access products and services can have in Emerging Markets. The notional weighting of each ESG measure needs to be materially different for each company depending on its unique characteristics. Likewise, the extent to which "ethical offsets" should apply is nigh on impossible to reflect on a purely quantitative basis.

For example, the GHG emissions and water consumption of a pharmaceutical company may be higher than those of a biscuit maker, but we would argue that the social good in producing drugs that can enhance and extend people's lives is manifestly more of a social good than biscuits, however delicious.

Case Study: Brazilian Airlines

Where comparability of certain measures might appear straightforward, we believe that details should change the balance of appreciation of ESG impact. For example, Airline A and Airline B in Brazil are well-established, similarly-sized, and with large route networks, point-to-point and hubbed traffic, passenger and freight.

As airlines, Scope 1 emissions are very significant, Airline A's Scope 1 intensity (per sales) is 3% higher than that of Airline B. On the surface, given two very similar businesses, Airline B scores better. When looking at the social impact, however, Airline B has relatively few routes where it is the only operator. Airline A, in contrast, is the only airline scheduled to fly on over 80% of the routes that it serves. This means that without Airline A, consumers and small businesses in some remote towns and cities would have reduced connectivity to centres of commerce, and so would have limited access to economic development opportunities.

Tabatinga, a frontier town on the Amazon in Brazil, is over 1,000 km from Manaus, the capital of Amazonas State. It takes 4 days to sail down the Amazon on the twice-weekly boat trip, and 6 days to go back upstream. Airline A introduced a daily flight to Manaus that takes 1 hour 45 minutes. The connectivity brings economic and social development to Tabatinga. As well as obvious business activity, it can bring tourism to remote towns, as well as improved e-commerce logistics, again beginning to level up not only economic opportunities but also quality of life issues for the inhabitants of remote towns who might otherwise migrate to the already congested and polluted bigger cities. Thus, when weighing up similar environmental impacts between Airline A and Airline B, we would consider that the Airline A's social impact is considerably more positive than that of Airline B, and this represents a countervailing effect when assessing ESG impact on a more holistic basis than quantitative measures alone would tend to permit.

As illustrated above, comparing two airlines based on purely Scope 1 of CO_2 emissions per revenue passenger kilometre, even when operating in the same country, can lead to the wrong conclusions. We therefore include other elements into our fundamental analysis, including through engagement with issuers, to ensure that we are not blind-sided by partially comparable data. In the example above, we included in our analysis the different routes the airlines served to incorporate the social dimension.

Airline A is also aggressively introducing a newer and more efficient fleet, which reduces equivalent emissions by around 30% compared to older equivalent aircraft. In four years from 2016 to 2020, Airline A's emissions in terms of gCO_2/RPK (Revenue Passenger Kilometre) fell by 17% or 4.5% per year, which we consider to be sound progress as the company attempts to minimise its environmental impact.

This analysis helped us to reach an investment decision. The environmental factors mentioned above contributed to a lower risk score, leading to a lower imputed cost of capital for Airline A. This led to higher expected risk-adjusted returns, and consequently to buying Airline A in the portfolio.

Active Engagement and Escalation:

Trinetra brings to management's attention the risks and opportunities that are articulated by consumers during our Immersions research studies. We engage with companies during our research prior to any investment, and this interaction is a crucial criterion with respect to whether or not to add or not the company to the investment universe. If we already own a company, monitoring of this engagement activities might become a trigger to potential downsizing of the position and/or exiting it.

We engage with management over our assessment of the risks that their companies face (ESG, financial, operational, and strategic) and discuss the significance and likelihood of each risk, as well as any preventive or detective controls that management has put in place.

In the event that an issue has not been adequately dealt with by management, we will consider escalating the matter by addressing it more formally, including with the chair or with other members of the senior management team. We may express our concerns through voting against the appointment of certain directors, or against other proposals, and writing to explain our voting actions,

in accordance with our Engagement Policy, which is available here https://www.trinetra-im.com/responsible-investing.

Voting:

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 ProxyExchange platform.

The ISS platform also offers research and customised voting recommendations, but the analyst is not obliged to follow these recommendations.

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.

An overarching principle when voting is that management's interests need to be aligned with those of their company's shareholders. 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.

UN Sustainable Development Goals:

We map 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.

We are constantly searching for ways to improve how we monitor ESG risks and integrate them into our investment process. As the industry moves towards a more standardised method of measuring these factors, we can develop more consistent metrics that allow for more accurate assessment of, and comparisons between, the companies within and outside our investable universe.

Our Engagement Priorities

Our Immersions research helps us to focus on 6 areas of engagement with investee companies which are listed below. They are also mapped against the UN SDGs to help have a more standard framework for our clients to be able to compare on their own engagements. Our engagement priorities are covered in more detail under Principle 9.

Issue	Description	UN SDG
Health & Wellness	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long- term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	3 GOOD HEALTH AND WELL-BEING
Bottom of the Pyramid	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.	10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
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.	8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
Women Effect	Patriarchal societies are fading in Emerging Markets. 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	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
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.	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
Longevity	In contrast to Developed Markets where older adults are forced into retirement in their productive years, Emerging Marketss 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	3 GOOD HEALTH AND WELL-BEING

Principle 8

Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

We have an integrated team working on all aspects of our stewardship and engagement activities. Our research team complete a risk profile for every investment, using data collected from:

- Company publications, such as quarterly, annual and sustainability reports;
- Data providers such as Bloomberg;
- Governance and proxy research providers;
- Ethnographic research firms that facilitate our studies in consumers' homes, which help us understand the impact in their lives of the products and services we invest in; and
- Sell side research.

We do not use sustainability ratings from sustainability data providers. We believe that the discrepancy in ratings between different data providers, whereby companies may have a high score from one rating agency but a low score from another, highlights issues of objectivity and credibility, something has been well described in academic literature[1]. It underlines weaknesses in a process that involves blindly following ratings. The ratings are in part influenced by how different rating agencies choose different peer groups, by how different companies report data using different methodologies, and how they make different inferences based on data gaps, often resulting in comparisons between apples and oranges.

We do not believe that responsibility for this research should be outsourced. We believe the data should be analysed and discussed with the company management to address consistency and data gaps. The risk of data inconsistency exists with any provider that uses quantitative methodologies to aggregate the data and use that as the source for their decisions. It is therefore our analysts' responsibility to ensure that they reconcile any such data back to source documents, for example in the case of proxy voting research.

For this reason, we do not outsource or employ external resources for any stewardship-related decision-making. Analysts are responsible for the whole process, from making the decision in consultation with the team, to communicating it to the company, to factoring in the company's risk assessment, and undertaking further active engagement to understand how the company mitigates this risk. We will not include in our investable universe any company for which we cannot quantify every risk, including ESG risks, and it is each analyst's responsibility to ensure they have gathered the relevant data to complete this assessment.

[1] Lucie Gyönyörová, Martin Stachoň, Daniel Stašek, ESG ratings: relevant information or misleading clue? Evidence from the S&P Global 1200, Journal of Sustainable Finance & Investment, 10.1080/20430795.2021.1922062, (1-35), (2021).
Elroy Dimson, Paul Marsh, Mike Staunton, Divergent ESG Ratings. The Journal of Portfolio Management Oct 2020, 47 (1) 75-87; DOI: 10.3905/jpm.2020.1.175

Review of Suppliers

The companies we use for certain services are detailed below:

International Shareholder Services (ISS):

ISS provides us with independent corporate governance reports and voting recommendations in accordance with our policy ahead of votable meetings. Analysts use the reports for informational purposes only and the analysts are responsible for reaching their own decisions.

Analysts are responsible for checking whether the ISS reports have captured the correct information from the company reports. For example, ISS recommended voting against the reappointment of the auditors at one issuer on the basis that non-audit fees exceeded audit fees. When we reconciled the ISS non-audit fees figure to the annual report, we found that the majority of the fees were disclosed as "other audit services.".

Management explained that the line item related to the audits of joint ventures and subsidiaries. We believe in the absence of detail in the annual report what the "other audit services" related to, the ISS analyst made a judgement call, reclassifying "other audit services" to non-audit fees. In this case, we provided feedback to ISS, escalated the issue with them and voted for the reappointment of the auditors, counter to the ISS recommendation.

In our monthly letter to investors, we disclose the rationale for cases where we have voted against management or abstained, as well as any instances where we have voted against the ISS recommendation.

The Executive Committee is responsible for oversight of this service. Before the renewal of our annual contract with ISS, we discuss their service offering to ensure that it remains cost effective and meets the standard of service that we expect.

We found the research produced by ISS during the period to be valuable. Most reports contained substantial amounts of useful detail, generally presented objectively and consistently, and specifically geared towards helping us to make decisions with respect to our proxy voting obligations. The voting recommendations themselves were nearly always consistent with a reasonable interpretation of the facts, even if we did not always concur. The research regularly highlighted topics for engagement with the companies in question, and the rationales presented make for clear and concise points to discuss with management. Moreover, the research often provokes team discussions.

We are aware of the limitations of ISS's analysis, especially in that they must rely on publicly available data without access to management that might otherwise help to clarify ambiguities. This means that they might reach judgements that could reasonably be different in light of additional explanation and nuance that discussions with management might allow. We are satisfied with their standard of service and continued to subscribe to their service in 2021.

Bloomberg:

Bloomberg AIM

We use Bloomberg AIM as our Order Management System/Portfolio Management System where we code our pre-compliance checks that help us to ensure that we do not breach various limits that are

required by our clients. We find the AIM support team to be extremely responsive and have assisted us during negotiations with prospective clients to ensure that all the requested rules can be programmed without the need to rely on manual processes. In 2020, the Executive Committee assessed Bloomberg AIM's quality of service to be excellent and approved the renewal of the contract for the period 2021-2023.

Bloomberg Terminal

Portfolio analytics: We use portfolio analytics from Bloomberg for our reporting requirements to our clients. The current service is sufficient for the needs of our existing clients, but we have been made aware of a new service in this area that we will consider if the requirements of our clients change.

ESG data: We source company-level ESG data from Bloomberg which is incorporated into our ESG risk assessment. We check the quality/accuracy of the data by cross referencing against what the company reported. For example, we reconcile company reported greenhouse gas emission against those provided by Bloomberg. As described under Principle 7, we use this data in our risk assessments.

Company news flow and reporting: We also use Bloomberg as a global news provider for our investable universe. As well as relying on companies' own websites investor relations websites and emails, we use Bloomberg to further monitor company releases, upcoming reporting schedules, details for management calls and transcripts.

We conduct biannual reviews covering the entire scope of the Bloomberg offering, including both the AIM and Terminal Relationships. We are satisfied with the service levels of both teams and intend to continue partnering with them. The Executive committee will reassess this relationship in 2022.

Ethnographic Research firms:

We use the services of ethnographic research firms on the ground in Emerging Markets to:

- identify and recruit for our studies individuals who are representative of a range of socioeconomic groups;
- help us design discussion guides;
- organise visits to recruited individuals in their homes, in multiple villages and towns;
- provide ethnographers, where necessary fluent in the local dialect, to facilitate discussion with the individuals;
- translate and transcribe meetings; and
- capture video recording of meetings and transmit them live to those Trinetra team members who did not attend the study in person.

In 2020, we performed an ethnographic study with Third Eye in India. We viewed the execution of the study to be excellent. Third Eye, with over 25 years' experience in such studies, put in place a number of risk controls to ensure effective execution. For example, although they spend time with the individuals ahead of the study to ensure they are representative and suitable, there will be occasions that under scrutiny of a study, we might find they are unrepresentative or otherwise

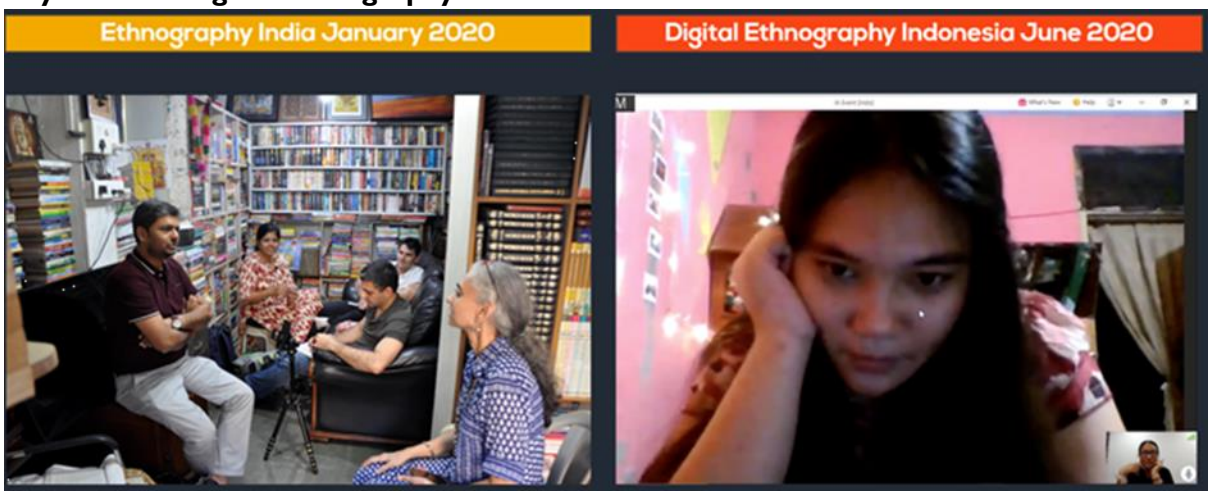
unsuitable as respondents. For that reason, Third Eye prepares "backup" individuals who are on standby for us to study their lives in the event of a need for a substitution.

When the COVID-19 pandemic began, we could not conduct traditional ethnographic research which involves studying consumers physically in their homes. By mid-April 2020, Third Eye had redesigned their processes to shift ethnography from physical to digital.

To compensate for the clues which can be missed without being physically present with someone in their home, they helped us to devise and use digital diaries. Our pre-COVID diaries were replaced by virtual panels on WhatsApp with several respondents. Over a week, Third Eye's facilitators asked them to complete 2-3 daily assignments, recording them with text, audio or video. For example, recording new disinfection rituals or describing situations where they had specific emotions, such as frustration or anxiety.

These digital diaries allowed us to capture consumers' changing habits in live, longitudinal studies. The ability to observe individual consumers longitudinally is something of a holy grail when it comes to understanding how consumers' habits, their needs, motivations, and emotions, are changing over time, something that has been critical during the COVID pandemic.

Physical and Digital Ethnography



We are satisfied with the service provided by our ethnographic research providers like Third Eye and in particular how they quickly adapted their services from physical to digital at the time when garnering consumer insights to map changes, and the reasoning behind them during the pandemic, was more important than ever.

Brokers' sell side research

In some Emerging Markets countries, we use local brokers who also provide us with access to their research. The primary use of this research for us is to help us to understand what is priced in by local market participants. We do not take into account any of analysts' recommendations. We assess the value of the research by comparing the implied research costs by trading with the local broker compared to an execution-only Global broker. This cost is reported twice a year to our clients. We report the information in letters to investors and present it to the board of our ICAV, giving an

opportunity to the independent directors to scrutinise the cost/benefit of this research service that we receive.

In 2020 we believe that access to the research justified the implied research cost, and we are satisfied with the service provided by our brokers.

Summary Review

As well as a review of individual providers, the Executive Committee reviews the full scope of our operations and focuses on identifying areas that might benefit from additional services. One area we will seek to improve, for example, is to measure the carbon footprint of Trinetra, both on an ongoing basis and since inception. We will then look for the most suitable way to offset our carbon footprint.

Principle 9

Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

As explained under Principle 1, one of the three purposes for the foundation of Trinetra was to help managements 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.

We believe that such engagement allows us to communicate the social and environmental issues that consumers are facing, and how the companies can address their needs. When companies address what consumers want, they not only drive better returns, but they also improve environmental and social outcomes.

As part of these engagements, we try to understand the processes that managements have in place to monitor their risks, as well as the risks that they view as having the biggest impact and greatest likelihood of occurrence. This also helps in our own risk assessment process, allowing us to identify any mitigating controls that managements have put in place.

We run a single strategy, so different funds contain broadly the same set of stocks. Any engagement is conducted on behalf of all holdings in all funds for any company in question and we will use the most appropriate engagement approach. We invest in 15-20 geographic markets at any given time, so we adapt our approach to escalation in each geography according to our appreciation of the cultural norms and sensitivities as we understand them.

When we decide to engage with a company management, we consider various means of communication including letters, emails, video calls and face-to-face meetings. As also mentioned above, our engagement often revolves around the insights that we gain from our Immersions research, and as such is usually intended as a constructive and cooperative sharing of insights.

Trinetra's engagement policy is publicly available at https://www.trinetra-im.com/responsible-investing.

Selection and prioritisation of issues

We try to prioritise the most pressing social and environmental issues in each market. We identify those through:

- consumer Immersions studies;
- post-fieldwork communication with consumers whose lives we have studied;
- quarterly calls with ethnographers to update us on any new issues/trends that they are identifying in their markets.

We find the easiest way to engage with management on social issues is by presenting the issue through the eyes of each of the five socioeconomic groups we focus on during our immersions research. These are the groups that we believe are seeing the biggest changes in their consumption patterns:

- People at the bottom of the pyramid
- Women seeking gender equality
- Migrants
- Youth from less advantaged parts of the country
- Older adults extending their working lives

As explained under Principle 6, we communicate the issues above to our clients and garnered feedback on what they see as most important to address their needs.

We organise our engagement activities around the same five categories based on the socioeconomic groups, and added a 6th category of Health & Wellness that cuts vertically across groups.

At the start of 2020 the top 3 engagement issues for the Indian market were:

Women seeking gender equality:

We believe that there is a silent revolution underway in India, unnoticed by many companies and by official statistics, whereby women are establishing businesses that they run from home. These women are officially viewed as unemployed, according to labour market statistics, but neither are they serviced by the wider finance community. The case studies provided in this section explain how we engaged with financial institutions, seeking to facilitate access to much-needed finance for these women, enabling them to grow their businesses.

Youth

In our studies we found that many young people care deeply about pollution and the environment. For example, we engaged with our Indian investee companies to urge them to rethink their waste management. As part of our collaborative engagement with the Organisation for Identify and Cultural Development (OICD), explained in more detail under Principle 10, we tried to connect with managements through their cultural identities, highlighting concerns by presenting them through the eyes of their customers. We brought to their attention their customers' emphasis on an important value prevalent in Indian culture, namely seeing waste as a sin, and the history of reusing/recycling. With this approach we want managements to imagine out-of-the box ways to manage their waste. Unfortunately, our efforts were disrupted during the pandemic as managements focused on protecting their businesses; waste management was moved lower down their priority list. We intend to revisit and continue our engagement on this issue in 2021.

Older adults extending their working lives:

We find that for some older adults, their biggest anxiety is the potential end of their independence, for example, having sufficient finanical means to retire, and staying healthy. For others "remaining relevant" was their biggest concern. They want to continue to contribute, and consequently we find that they often continue to expand their skills. We therefore engaged with companies to develop

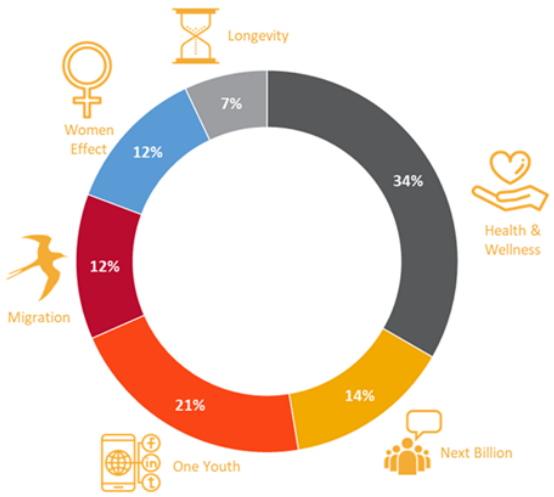
diversity policies that would encourage the employment of older adults who want to continue contributing. As with the environmental engagement above, our efforts lost momentum due to the pandemic, but we intend to revisit this in 2021.

Engagements in 2020

We conducted detailed engagements with 22 of the companies held in our portfolio over the last year, representing 33% of its value as at 31 December 2020. We also had calls with ethnographers, policy experts and academics as we sought to understand the courses of action open to companies such as Chinese Regulation and Climate Change.

The chart below on the left shows how we engaged the different social issues with investee companies in 2020. The chart on the right shows how we remapped those issues on UN SDGs so that they are aligned with the way our clients and beneficiaries look at these issues.

Engagement by Social Issue



Engagement by UN SDG

Case Studies

The following two case studies provide detailed examples of how ESG issues and engagement are integrated into our investment process, of the outcomes of that integration, and how they have been used in our investment decisions. The examples deal with women seeking gender equality and how financial inclusion can help drive this.

Case Study – Mira's Story

On an April morning in 2012, Mira was riding her scooter to the gym where she worked as a yoga instructor, when she was hit by a truck. She spent the next three months in a Mumbai hospital and would never be able to work in a gym again. That day of her accident she was removed from the 27% of Indian women who are "officially" in the labour force and has not officially re-joined since.

In 2015, she spotted an opportunity whereby women would outsource cooking for family celebrations. She convinced her father-in-law to give her an apartment rent free and hired a colleague, who was recently widowed, to help her. She used Facebook and WhatsApp to spread the word. Mira was convinced she could provide similar homemade food at a low cost and with less effort for her clients.

The start to her business was difficult and inefficient at first. They had few pots which were mostly too small, meaning cooking in many batches, but she persevered. Two years later, Mira had hired five more women, all widowed, paying $180-$200 per month to each of them. She reinvested any remaining cash into the business.

Mira spotted two opportunities arising from cultural shifts. One was the outsourcing by women of food preparation for special occasions. The other was an opportunity to hire widowed women whose lives and identities in conservative India would historically have 'ended' with their husbands' deaths. Mira was able to take them out of their repressive situations, giving them dignity and empowerment.

Surprising neither Mira nor her employees were counted in India's official statistics as contributing to GDP. They are nonetheless part of a silent revolution of women homepreneurs who are still performing may of their old roles in the households but also bringing income and upgrading their families' lifestyles.

The issue is that while officially these women are unemployed, they are an active and vibrant segment of the informal economy, so are ignored not only by employment statistics but also by the finance services sector, including most investors.

Mira has an amazing appreciation of cashflows. She pays her employees, draws no money for herself, and reinvests everything back into something she believes in. Because she is not formally employed, virtually the only credit available to her is a microfinance loan with a 27% rate of interest, which she is unable to afford. The operational cost for a lender to verify what she makes using paper-based bank statements would makes it exorbitantly expensive for her to borrow.

Fintech can transform businesses like Mira's, something that we are already seeing it in China and elsewhere with zero transaction costs through Paytm and Google Pay in India, Mira could pay her employees and receive payment for her services through her smartphone. Importantly this also allows her to create a credit profile, giving her access credit at fairer rates if interest, which would let her grow her business, unleashing her potential.

Mira, Mumbai – Source: Trinetra

Case Study – Aaha's life

Aaha, who is 39 years old, has lived all of her life in Malad, a lower middle-income area in Mumbai. She married at 19 and has a teenage son.

For as long as she can remember, she had been passionate about making women beautiful, and she saw a big opportunity for grooming in the changing India of today. She saw rising demand from women from the lower-middle income area where she lived, and who had white-collar jobs. She also recognised that people were becoming more self-conscious, especially with images being shared by friends and family on social media.

With a loan from her sister, she started to offer treatments from home for free. She then built a business through word of mouth. As her business grew, she started producing her own line of cosmetics selling quality products to her clients at affordable price points.

She spent her nights learning about the properties of various ingredients to formulate popular products, and how to substitute certain ingredients with lower-cost equivalents, making her products more affordable.

She also trained other women to become beauticians, many of whom are now her clients, and who buy cosmetic products from Aaha.

She has now opened her first store, although she struggled to find formal financing to build her business.

Aaha, Malad Mumbai – Source: Trinetra

Actively Engaging for Female Homepreneurs like Mira and Aaha

Financing issue for female homepreneurs

During our Immersions research, we meet women across Emerging Markets who use their education, coupled with mobile technology, to start informal businesses, to become homepreneurs. Many of them employ other women as their businesses grow, like Mira employing widows, and some, like Aaha, who train other women.

While these women are officially unemployed, they constitute an active and vibrant segment of the informal economy. But they are ignored not only by employment statistics but also by the financial services sector.

These women are not treated as businesses, so cannot access financing at 11% interest rates like other small businesses in India. Instead, they can only access microfinance at interest rates between 24-27%, which is too hight for many. For many small business owners, microfinance rates are too high, and so they try to grow slowly and organically, as both Mira and Aaha in the above case studies show.

Collaborative engagement with a financial Service Firm

In 2020, we invited management from a financial services firm to join us on an Immersions visit in India, so that they could hear first-hand from female homepreneurs about their financing needs. We believed that it would help them to understand a substantial opportunity that the company had been missing.

A management executive joined us for the Immersion study, which included the visit during which we met Aaha. Aaha explained her story how she failed to raise finance for her cosmetics business through conventional channels. She described the success of her business despite all the hurdles and the lack of financing. She explained why microfinance rates would have stifled or even killed her business. She needed to grow slowly and organically.

Prioritisation of Engagement

We selected the issue of access to finance for women in India because we saw a significant opportunity for financial services companies to address what we understood was a significant problem for women. Moreover, we consider the issue urgent because holding back women's potential stifles economic development and reinforces traditional roles whereby women in many societies are beholden to their husbands, suffering from discrimination and avoidable hardship.

Objectives for Engagement

Our objectives were for management to appreciate the significant opportunity and to consider positioning the business to benefit from that opportunity. While the company was already conducting focus groups, the message can be lost in bigger groups and senior managers often do not connect with some of the findings.

Method of Engagement

In this specific case which needed buy-in from the company's senior officers, we decided to escalate the issue immediately to the Chair and CEO. We presented the opportunity and asked for a resource to work with us. We have learned that on some occasions, for example concerning capturing strategic opportunities, it can make sense to speak to senior management rather than Investor Relations to see if there is alignment with their vision. In this example, the Chair and CEO accepted our approach and appointed the Head of Strategy to work with us. The Head of Strategy then joined us on an Immersions study.

Outcome of engagement

We find that meeting people like Mira and Aaha, hearing their stories of hardship, and the immense effort and dedication that they apply to their passions, helps to humanise the problems that many women face. Immersions bring to life issues that managements otherwise see as numbers on a spreadsheet. We believe that the context of Immersions engenders a greater desire to help, for management to want to help solve the problems that they hear about. In that sense, Aaha is no longer seen as a number lost in a table, but a dedicated businesswoman who has built a successful business, having started with so little, and yet is even helping other women build their businesses too.

The management was keen to take advantage of this opportunity as they had secured funding for financing for women at preferential rates. However, they struggled in the short term to re-engineer their credit check procedures.

A few years ago, it would have been impossible to establish a reliable revenue estimate for such a homepreneur as most of the business would have been transacted in cash. However, Aaha receives almost all of her revenue through Google Pay, which is linked to her bank account. Therefore, an electronic record exists within her bank, something that is both useful to perform a credit check and verifiable. However, without interoperability between her bank and the lender, it is uneconomic to perform a credit check manually for such a small loan.

Impact of engagement on the Portfolio

The portfolio impact of our understanding of this vital but hidden issue in India is that we sought to invest in financial services companies that recognised the opportunity to help women facing similar issues to those faced by Mira. As a result, we decided to invest in an Indian financial institution, which we saw as benefitting from increasingly digital lending transactions and could serve better the needs of entrepreneurs like Mira and Aaha.

Principle 10

Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our core skills are in conducting ethnographic research to understand consumer trends and selecting companies which can benefit from these. Our approach is to act as consultants to the companies in which we invest. We will seek to join collaborative initiatives when they are aligned with the work that we do, when we believe that we can add value to the collaboration, and when such collaboration enhances the value to our clients and beneficiaries.

We are a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and are working towards our climate-related reporting in line with its recommendations. We encourage the companies in which we invest to report in a way that is consistent with the TCFD recommendations. Such action will provide more accurate information on the systemic risk of climate change and how they are contributing to its mitigation.

Since 2017 we have been a signatory to the UN Principles for Responsible Investment (UN PRI), which promotes sustainable investment practices through incorporating environmental, social and governance (ESG) factors into investment process. We believe that this network of investors will promote more efficient capital markets. For example, in 2019 the UN PRI shone a light on the issue of deforestation and forest fires in the Amazon. We became signatories of the Global Investor Statement that sought to eliminate illegal forestation and fires in the Amazon and elsewhere, and to reduce legal forestation. While we are not directly exposed to the meat producers that are primary instigators of deforestation, we adapted our risk methodology to monitor and actively engage with managements of companies that use meat products in their supply chain.

In 2020 we collaborated with the UN PRI and participated in its consultation survey for the PRI Strategic Plan 2021-2025, providing feedback on the proposed changes and areas to consider going forward. We also used our ballot to vote for the selection of the 2020 PRI Board member to represent Investment Managers. We based our selection on criteria including skills, knowledge and contribution to the Board, and for 2020 specifically, on a candidate whose focus was to incorporate the latest and best ESG practice into the selection criteria and reporting of PRI signatories, and to advocate for a more balanced and diversified representation of Investment Managers on the Board. We agreed that these initiatives are crucial to ensure that the UN PRI remains a relevant and influential body which will help it not only to achieve its primary aims, but also to contribute to market efficiency.

In 2020 we endorsed as signatories two initiatives that seek to ensure a sustainable response to the COVID-19 pandemic, and which are aligned with our core beliefs and stewardship processes, namely the PRI COVID-19 Response and the Global Steering Group Leaders' declaration for a just and sustainable future, addressed to G7 and G20 Leaders, Finance Ministers and Central Bank Governors.

Companies we have contacted on the initiatives and collaboration groups mentioned above have in general responded positively. We will continue to monitor progress in the coming year through these initiatives.

We view ourselves to be active, not activist investors. We are bottom-up, concentrated, fundamental stock pickers. Our immersions research points us to companies that can solve social issues. Because our investment process expressly selects for companies that we believe behave responsibly, we relatively rarely observe investee companies' behaviour that warrants serious intervention and thus the need for collaboration. Our collaborative efforts focus on bodies like the OICD (see below) that seek to change approaches and outcomes across countries and their economies, and less within specific companies.

Before establishing a position, we aim to engage with the company to understand their perception of the investment trends and the strength of their internal risk assessment processes. We will not invest in companies that do not provide the detailed information we require for our assessment. We are benchmark agnostic and therefore do not have to own companies that do not choose to engage with investors.

We identified pharmaceuticals as an area that would benefit from collaboration with other investors. However, the initiatives we identified focused on large market capitalisation developed market companies, and none of our investee companies were included in the initiatives' focus lists. The Access to Medicine Foundation guides pharmaceutical companies to do more for people living in low-and middle-income countries without access to medicine. In 2020, we initiated discussions with them to assess collaboration and make the case to expand the list of companies on which they focus.

Case study – Collaboration with the Organisation for Identify and Cultural Development (OICD)

The OICD works to counter critical global issues including: climate change denial; vaccine hesitancy; the rise of misinformation; and economic exclusion. The traditional Information Deficiency Model attributes scepticism or hostility towards an idea to the lack of knowledge. According to this, the solution to such problems is often presented as simply providing evidence the other side, which will change their view upon receiving it.

However, in our ethnography research we find that people use their values to form heuristics and make decisions accepting or rejecting the information. For example, two people can watch Al Gore's documentary *An Inconvenient Truth* together. The person with more collective values will likely accept the need for climate action, while the other, with more individualistic values, will reject it. OICD works on bringing change by helping connect people with issues based on the way they identify themselves and their values, and not just relying on providing information.

Through the collaboration with OICD we have come to understand some weaknesses in our approach of engaging with managements to present social issues from consumers' views and how they could solve them. In the past we showed videos of consumers talking about their issues. We let managements hear the raw facts, and then allow them to decide what they think is the right action to take, based on their mission. As explained under Principle 9 on the engagement example on Recycling, in 2020 we started to adapt our approach to take into account the way in managements identify.

We believe that the financial services industry can learn how better to engage from the latest social anthropology methodologies, as employed by the OICD. In 2021 we plan to work with OICD in the drafting of a 5-hour course designed for climate change activists on how to deal with climate change deniers.

We want to take a leading role in adapting this course to financial advisers, to help them to work with their clients and their values. We also plan to adapt the course for the companies that we invest in. We understand that companies are not a unified group. This training can help to remove friction and resistance, reducing conflict around climate change, and unifying internal views about the issue. We believe that it will allow them to work effectively in setting objectives to produce measurable, positive outcomes in the fight against climate change.

Principle 11

Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

As explained under Principle 9, Trinetra brings to management's attention the risks and opportunities as articulated by consumers during Immersions research.

Street vendor in Salatiga, Java, Indonesia – Source: Trinetra

We engage with management over our 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.

If an issue has not been adequately dealt with or explained by management, we will escalate the matter by addressing it more formally, including with the chair or with other members of the senior management team. We may also express its concerns by voting against the appointment of certain directors, and by writing to explain its voting actions, in accordance with our Engagement Policy.

As a single strategy asset manager, our different funds contain broadly the same set of stocks. Any escalation is conducted on behalf of all holdings in all funds for any company in question. The portfolio usually contains securities from issuers based in between 15 and 20 different countries, and at varying stages of economic development. As a result, we are conscious of different regulations, practices, standards and norms, as well as certain cultural sensitivities.

When making the decision as to escalate a matter, the parameters of a decision will inevitably vary. These parameters provide us with a framework for decision-making and prioritising escalation. They are a combination of:

- the degree to which we believe a particular principle or objective may be broken by a management's actions or proposals;
- the extent to which the action may or may not represent a cultural norm in the market where the company is based; and
- the likely impact of our intervention.

The context of the parameters is often nuanced. For example, we will nonetheless challenge cultural norms if we believe that management may be willing or able to break from those norms. The substance of a company's response, if any, will then dictate the outcome of any decision as to whether to escalate further.

When we decide to engage with a company management, we consider the most appropriate channel including letters, emails, video calls and face-to-face meetings. Our engagement often revolves around the insights that we gain from our Immersions research, and as such is usually intended as a constructive and cooperative sharing of insights. In that regard, escalation sometimes involves management offering us meetings with other members of their management team for whom our insights may be especially pertinent.

Where our attempts to engage are less enthusiastically received, we may choose to escalate in a variety of ways. We may request meetings with certain Board members or the Chair of the Board. We may also ask certain of the company's advisors to pass on our concerns. As mentioned above, we may also escalate a standalone action to a collaborative one. In more extreme circumstances, we would consider making public our concerns or submitting shareholder resolutions. However, when the lack of alignment between a company's management and its shareholders' long-term interests is sufficiently material and manifest, we consider the trust between shareholder and management to have been broken. In such circumstances, we are often minded selling the position in the interest of our clients.

Escalation examples

Indian financial services firm

Objective: Financial inclusion for female entrepreneurs

Activity: Under Principle 9 we provided the case studies of how we engaged with a financial services firm to examine opportunities in empowering women entrepreneurs. In this specific case which needed buy-in from the company's senior officers, we decided to escalate the issue immediately to the Chair and CEO. We presented the opportunity and asked for a resource to work with us. We have learned that on some occasions, for example concerning capturing strategic opportunities, it can make sense to speak to senior management rather than Investor Relations to see if there is alignment

with their vision. In this example, the Chair and CEO accepted our approach and appointed the Head of Strategy to work with us.

Outcome: The engagement was not successful, and we exited the position. This was not because the company did not understand the opportunity or was unwilling to consider it, but because their existing processes made it difficult for them to adapt to capture the opportunity. Unfortunately, sufficient understanding of the operational detail is often not available to investors, and we must accept that sometimes our engagements will fail not because of management unwillingness but due to operational constraints.

Brazilian Airline

Objective: Introduce reporting standards that were compliant with TCFD

Activity: we decided to escalate the issue of environmental reporting standards with a Brazilian airline. While we believed that the airline was taking very seriously its efforts to reduce greenhouse gas intensity, the reporting standards were not compliant with TCFD standards. A meeting was arranged with the company's Director of Sustainability, and we discussed the company's objectives and proposed timelines to reporting in compliance with TCFD standards.

Outcome: We were invited to join a consultative group of stakeholders, including investors, to help to lead the company through its sustainability issues. We believe the company is taking its role as a carbon emitter seriously, and that there was a clear path towards reporting on a globally accepted basis. Therefore, we decided that we would continue to hold the shares.

Brazilian Healthcare Company.

Objective: Board diversity

Activity: We were concerned that a Brazilian healthcare company had no women on its Board, and it was seeking to elect a new member of the Board. We contacted the company explaining our concerns and arranged a call with investor relations. We learned that the proposed new director, who was male, had especially rare and appropriate skills, in particular relating to M&A experience and that it was inappropriate to consider a less relevant candidate. The company promised to consider the issue in an upcoming merger which would see the size of the board expand. When a full board of the combined company was proposed, it included no women. We decided to hold our position and escalated our concerns to the Head of Sustainability. We voted against the appointment of directors on the basis of the lack of sufficient independence on the board, as well as the lack of diversity.

Outcome: We continue to engage with the company despite the lack of success from our initial attempts. In many Emerging Market companies, the approach to vote against the reappointment of an independent chair is not an effective action as in many companies, as in this case, the founder is still the Chair and CEO. On such occasions we feel it is more appropriate to behave like an active investor, explaining the benefits of diversity, rather than as an activist threatening action against the board.

Principle 12

Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

Our overarching principles on proxy voting are:

- We vote in the interests of our clients and beneficiaries, and also take into account the interests of all possible stakeholders
- We aim to exercise all our voting rights
- We make all voting decisions ourselves
- There is no presumption of support an investee company's Board or the Executives
- We are prepared to abstain or to vote against resolutions
- We are prepared to deviate from our voting policy where on the risk of that specific situation justifies it
- We publish Vote Disclosure Records summarising our voting activity website

Exercising our Voting Rights

Voting is at the core of our engagement with companies. We seek to vote on every item and every meeting on which we are legally entitled to vote. A rare exception of us declining to vote might include when share blocking would result in shares being locked up, denying the valuable flexibility to make use of market opportunities. We do not loan securities, and therefore do not have to recall shares to exercise our voting rights.

Our Proxy Voting Policy has been articulated with the varying culture, norms and legal standards of different countries in mind. We apply the policy in the context of the respective markets where our investee companies operate, considering what course of action we believe is likely to result in the best outcome for investors. The policy applies to all our funds, both pooled and segregated.

Votes are decided by the analyst in whose coverage the relevant stock falls as we believe that sustainability and stewardship considerations are central to our investment philosophy and relevant to each of our investment cases. We do not employ a separate Responsible Investment team, however research from International Shareholder Services ("ISS"), our proxy advisors, helps to inform the analyst. We do not use default recommendations, so no overriding process is required. Decisions to vote against management and abstentions are discussed within the investment team. The Chief Investment Officer approves all votes and has the power to amend any vote.

We have never had a request from a client to override our policy and, to date, all our clients have delegated the proxy voting activity entirely to us. Segregated account clients can opt to direct vote, rather than authorise us to do it on their behalf, and they can request that a specific policy be applied.

So far none have decided to do so. We would not be able to accept a client in a pooled account to direct vote or to override our policy.

Our Proxy Voting Policy is available on our website at https://www.trinetra-im.com/responsible-investing. Responsibility and oversight of the policy and its implementation lie with the firm's governing body, the Executive Committee, which reviews the policy on an annual basis.

All our votes are recorded and our voting activity is published on a quarterly basis in our website under https://www.trinetra-im.com/responsible-investing.

Proxy voting policy

A summary of the key policy approaches within our Proxy Voting Policy follows:

ESG and Sustainability

In line with our purpose of giving a voice to consumers in Emerging Markets, we seek to support management who both promote and report sustainability activities for their companies. As such, we believe that shareholders' long-term interests are aligned with those of other stakeholders in the company, including employees and customers.

Diversity, Boards and Committees

We favour boards of companies that are experienced, independent and diverse. While we are sensitive to cultural conventions, we strongly disagree with discrimination on the basis of gender, gender identity, race, religion, nationality or sexual orientation. We believe that discrimination represents of waste of talent that could otherwise contribute to long-term shareholder value, company sustainability, and economic development. We are, however, aware that progress with respect to diversity can take time in emerging markets. For example, we will in general vote against the election or re-election of male board members when there are no women on the board unless the management has shown us that they have a plan to address it in future appointments.

Board Remuneration

Alignment with shareholders' interests is paramount with respect to remuneration. We are unsupportive if proposals lack clarity, fail to focus on long-term shareholder value, or permit payments for poor performance.

M&A and Capital Structure

We consider the terms of each proposed deal on their own merits. In particular, we consider whether our investment rationale has been breached, and examine the context of acquisition track records and broader stakeholder impact.

Stock Lending

We do not undertake any stock lending activity. We believe that this helps to keep voting rights unambiguous.

Proxy voting record

In 2020:

- We voted in 66 meetings/ballots.
- We submitted votes through ISS in 100% of ballots, relating to 536 separate resolutions.
- There were two ballots, relating to a total of 10 resolutions, for which we submitted votes but subsequent checks showed that they were unvoted because of operational failure at one of our suppliers in respect of power of attorney (POA) processing. This was subsequently rectified.

The chart below shows votes cast by Trinetra in ballots during 2020. In 87% of cases, our votes were aligned with management. The ISS Benchmark Policy recommendations were 89% aligned with management recommendations. This difference demonstrates our commitment to voting based on our own decisions, and not to merely follow ISS recommendations, when deciding how to vote.

Analysis of Voting Record in 2020

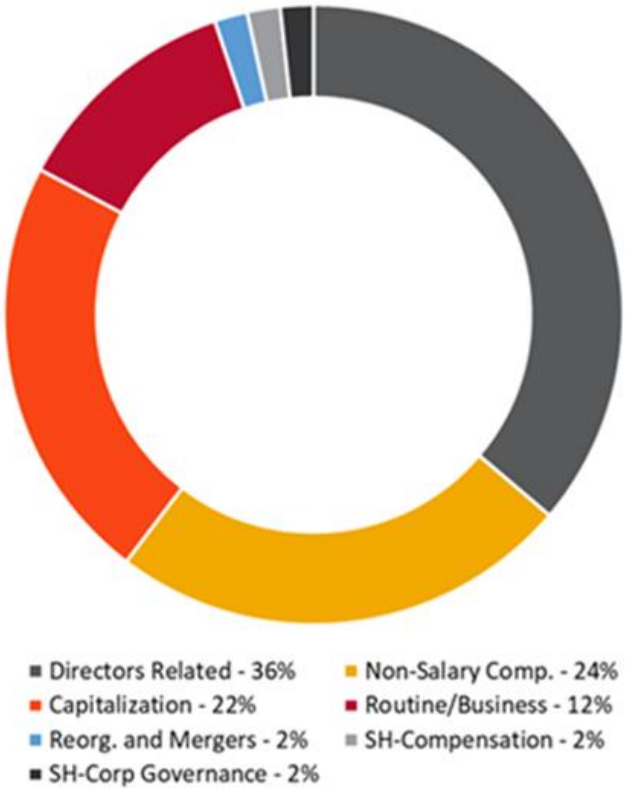
Of all votes cast in 2020, 10% of votes were against management recommendations, and we abstained on 3% of votes.

The chart below shows that directors' related and non-salary compensation was the most prominent rationale for voting against management recommendations, accounting for 60% of the votes against management.

Salaries and incentives should be within market rates and preferably linked to long-term returns on capital employed. Our analysts will engage with companies where remuneration policies differ from our guidelines. In cases where engagement does not result in a satisfactory result, for example, when the proposal is not clear or emphasises short term results, we would generally vote against management.

The second most prominent rationale for voting against management in 2020 was due to issues linked to capitalisation matters, accounting for 22% of votes against management.

Analysis of AGAINST votes in 2020



An explanation of voting rationales by way of examples

We voted against Board recommendations on 53 occasions during 2020. In one case we voted against a proposal, contrary to the recommendation of the Board of an Indonesian bank, to approve Board changes because of a lack of sufficient information on which to base an informed decision. In another case, we voted against a proposal to appoint a statutory auditor at a Japanese retailer. The auditor in question had a close transactional relationship with the retailer which could compromise the role which requires independence. In another case we voted against a proposal to approve the Remuneration Implementation Report at a South African pharmaceutical company because of the lack of disclosure of sufficient detail relating to performance targets.

We abstained or withheld votes on 15 proposals during the year, including one shareholder resolution. For the shareholder resolution, we abstained in the proposal by a minority shareholder to elect

alternate Fiscal Council members because the shareholder proposed to select 2 alternate Fiscal Council members, whereas minority shareholders may only elect 1 member. Other abstentions included votes related to cumulative voting for the election of members of boards of Brazilian companies.

Shareholder Resolutions

Shareholder resolutions are not commonplace among Emerging Market companies. We voted on only 6 shareholder resolutions during 2020. Two were for a Brazilian pharmacy retailer, while the other 4 were for a US-based medical devices company with extensive emerging markets operations. We voted against 2 of those shareholder resolutions, both for the medical devices company. The proposal called for the company to report on its lobbying expenses, policies and procedures. We voted against the proposal because we believe that the company was already sufficiently transparent and disclosed adequate information on the basis of which shareholders should be able to assess any risks relating to the company's lobbying activities.

Deviations from Voting Policy

On 3 occasions we did not vote in line with our voting policy. As mentioned above, the policy allows for limited flexibility so votes are decided on their own merits. We apply the policy in the context of the respective markets where our investee companies operate, and apply informed judgement to voting in the interests of our clients. In the case of a South American financial services company, we voted against the election of the incumbent chair (a significant shareholder and former CEO). We had concerns regarding governance practices with potential conflicts of interest carried out involving political donations made with the company's resources which had neither been previously approved by the board nor disclosed to the board or shareholders.

Monitoring of Shares and Voting Rights

Our custodians monitor the shares and voting rights that we have. Regular reconciliations are performed between Trinetra and our respective fund custodians to ensure that all holdings and the number of shares for each holding are in complete agreement. Reconciliation is performed either daily or monthly according to the respective fund requirements. When votes arise by virtue of the rights that we have, the custodians ensure that eligible votes are entered into the proxy voting platform, ProxyExchange, provided by ISS, our proxy voting advisors,

Outcomes

We regularly monitor outcomes of votes in which we participate. An interesting outcome of a resolution that we voted on was a shareholder resolution, another one for the US-based medical devices company mentioned earlier. The resolution called for the repeal of the company's supermajority voting provisions. We believe that such provisions correlate negatively with company performance, albeit in this case performance was not in question. We further believe that managements can use supermajority positions to block initiatives that may be supported by most

shareholders. Management contended that the use of the supermajority is restricted by law to a narrow set of matters, and for that its use for these matters is appropriate. 84.5% of votes were in favour of the shareholder resolution. The final outcome was that in the following year's Annual Meeting (2021), management made a proposal to adopt majority voting standards (and hence to eliminate the supermajority voting standards), with another vote adopting majority voting for extraordinary transactions. These proposals to amend the Articles of Incorporation were subsequently adopted, with both resolutions achieving 98.8% shareholder approval.

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.
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.
Immersions 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.

Important Information

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, with Firm reference number: 772919.

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Not all strategies are available in all jurisdictions.

Exchange rate changes may cause the value of any overseas investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated. This document may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised.

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