

# Trinetra

Investment Management LLP

## Report on: UK Stewardship Code

For the year to December 31 2022

Certified



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Corporation

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***All photos in this report have been taken by members of Trinetra during their ethnographic studies***

## Introduction

This report seeks to provide Trinetra's clients and stakeholders with information regarding our Stewardship approach and explains how we embed the Principles of the Stewardship Code, set by the Financial Reporting Council (FRC), throughout our organisation.

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."***

As a signatory of the UK Stewardship Code, we fully support its objectives and comply 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 laws.

Trinetra's 2022 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 2022;
- 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 2022.

Trinetra is proud to be a signatory to the UK Stewardship Code and has aimed to make this report useful and informative.

Tassos Stassopoulos  
Managing Partner & CIO  
Trinetra Investment Management

# 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 whose purpose is to study people's lives in Emerging Markets (EMs), to identify investible solutions to the issues they face. It became a Certified B Corporation in April 2022 with a B Impact Score of 149.2, significantly above the 80-level required to be certified. It also received in 2022 two "Best For The World" awards in the Customers and Governance impact areas.



*Ethnographic study of children of migrant coffee pickers, Karnataka, India*

Trinetra believes that humanity's biggest challenge is to meet the needs of all within the boundaries of our planet. Although we have solutions to help us understand the limits of our planet and how to live within them, nearly half of the planet's population lives in poverty, so there is much work to be done to ensure that the needs of all are met.

The research conducted to understand the needs of people in Emerging Markets, and identifying solutions to their problems, is at the core of Trinetra's purpose. Trinetra aims to generate strong risk-

adjusted returns by using ethnographic research to understand consumers, their hopes, dream, aspirations and anxieties, and the solutions that they see to their own problems.

Trinetra believes that when holding positions over a long term, i.e., more than five years, investors need to follow 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.



## Ethnographic research provides insights into 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 herdsman in their homes, to understand the issues they faced, their anxieties, and their dreams for a better tomorrow for themselves and their children.

Over subsequent years, Trinetra's team members have performed 28 studies in 15 different Emerging Markets, trying to understand the challenges and opportunities that people face. Trinetra believes that providing solutions to consumers not only allows investors to capture growth opportunities in Emerging Markets, but also creates a more just and sustainable planet.

Trinetra's research identified six trends that 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**  
Access to quality healthcare, nutritious, sustainably produced food and maintaining a physically healthy body.
- **Financial Inclusion**  
Reorientating the flow of capital to accelerate sustainable development and empowering the 'unbanked'.
- **Sustainable Urbanisation**  
Supporting inclusive and connected cities closer to people's families and friends.
- **Circular Economy & Decarbonisation**  
Decoupling consumption from production to reduce waste and using leap-frogging technologies to accelerate the transition to Net-Zero.



Source: Trinetra



Source: Trinetra

Trinetra's ethnographic research targets five socioeconomic groups for which social transformation trends should drive the biggest changes in consumption patterns:

- People at the bottom of the pyramid
- Women
- Migrants
- Youth
- 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 a world where no-one is left behind.

## Trinetra's Purpose and Philosophy

Trinetra believes that consumers not companies ultimately dictate trends. By conducting ethnographic studies, referred to by Trinetra as 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 to form an independent view of how trends are evolving, and by investing in companies that provide solutions to consumers, investors are able to capture growth opportunities in Emerging Markets. Since its founding in 2016, Trinetra has followed a clear purpose and mission.

### Purpose

Trinetra's purpose is to study people's lives in Emerging Markets (EMs) to identify investible solutions to the issues they face.

### Trinetra's Mission is to:

- study the lives of people within their communities, in order to understand the social and environmental challenges they face;
- accelerate positive social transformation in EMs through efficient allocation of our clients' capital to companies which can provide solutions to those issues; and
- drive lasting and sustainable change across EMs by sharing Trinetra's ethnographic research insights and cooperating with other stakeholders.

### Philosophy

Trinetra aims to generate strong risk adjusted returns by:

- Anticipating EM social and environmental trends through ethnographic research.
- Identifying companies that can capture those trends and have sustainable business models with quantifiable risks.

- Backing managements whose interests are aligned with all stakeholders, and who have shown discipline in managing their cashflows and balance sheets.



*Studying impact of inflation on shopping*

Trinetra invests in companies that directly benefit from the rise in domestic consumption, and for which domestic consumption is the main driver of investment returns.

While the firm does not maintain a specific exclusion list, Trinetra cannot foresee investing in energy producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers, because these are outside of the scope of its Immersions research and will therefore not fall within our investible universe.

Similarly, Trinetra's Immersions research sees products through the eyes of EM consumers. Thus, Trinetra does not invest in activities which these consumers consider to be obstacles, for example, to improving their health and

wellness. These might include companies specialising in gambling, such as bookmakers and casinos, and companies manufacturing or producing spirits and hard liquor or tobacco.

By understanding EM consumer values and how they evolve, Trinetra can anticipate developing trends. Capturing these trends requires fundamental research and active engagement with company managements to ensure a shared understanding of the opportunities highlighted by Immersions, as well as the risks faced. Trinetra believes that a benchmark agnostic strategy and fundamental research lead to good stewardship and work in the best interests of clients.

## Trinetra's Culture & Values

### Culture at Trinetra

Trinetra believes that effective Stewardship requires a collaborative culture that is focused on delivering long-term value for clients, and a team aligned in its vision for a more inclusive, equitable and regenerative economy.

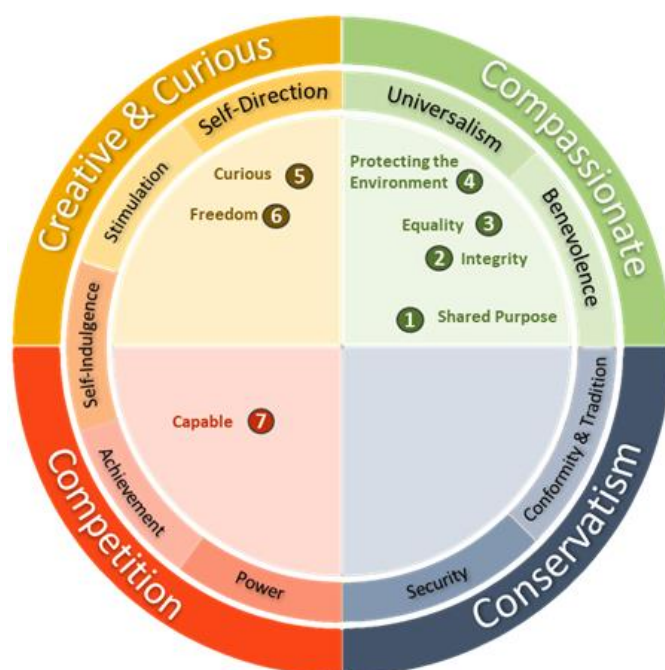
To understand social and environmental trends in EMs, the team assesses the values which drive culture, and map these according to the quadrant model explained by Schwartz' Motivational Quadrants<sup>1</sup>, as illustrated below. This framework can be used to consider values across the spectrum of societies and can be applied effectively to individuals, families, socioeconomic groups, and even entire countries.

To understand and assess Trinetra's own cultural drivers, the team assesses and maps its own values at least every two years.

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<sup>1</sup> Schwartz, S. H. (2012). An Overview of the Schwartz theory of Basic Values, Online Readings in Psychology and Culture

## Mapping of Values in Schwartz Motivational Quadrants



Source: Schwartz, Trinetra

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

Source: Trinetra



## Enabling Effective Stewardship

Trinetra is a 100% employee-owned firm with a strong team culture. Trinetra seeks to grow, not by setting AUM targets, but by sharing its insights and cooperating with likeminded investors to bring about lasting, sustainable change. Trinetra believes in transparency and in sharing insights from its Immersions to foster informed debate. The investment team deals directly with clients, allowing them to maintain a clear understanding of clients' goals and beliefs.



*Studying social influencers living in a favela in Salvador, Brazil*

Trinetra is a single strategy firm with a four-person investment team, investing in fewer than 50 publicly listed companies. The small number of companies in which Trinetra invests, in combination with the dedicated investment team, allows for an integrated sustainability approach that is consistently applied across its investment process.

Sustainability and consideration of all stakeholders is embedded in Trinetra's purpose. Trinetra's process includes not only considerations of its clients but also the employees of the companies in which it invests, and the consumers who 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 its processes, from ethnographic research to engagement with investee companies, and to clients' involvement in its research.

In February 2021, Trinetra's commitment to sustainability and wider stakeholders' interests extended significantly and became part of its constitutional document to ensure that governance, decision making, and practices are guided by this objective.

Trinetra also ensures that its clients understand from the beginning of their relationship that Trinetra aims to deliver strong risk-adjusted returns while being benchmark agnostic. Trinetra

compiles an investible universe from the companies, identified during its Immersions research, which it believes will capture consumer trends and can provide solutions to consumers' problems.

## Outcomes

### B Corporation certification

In 2022 Trinetra was accepted as a Certified B Corporation (B Corps) with a **B Impact Assessment Score of 149.2**, well above the threshold score of 80 required to meet the certification standards. Certified B Corporations are for-profit companies that use the power of business to build a more inclusive and sustainable economy. They meet the highest verified standards of social and environmental performance, transparency, and accountability.

Furthermore, in 2022 Trinetra was recognised as a 'Best for The World™' B Corp in the 'Governance' as well as the 'Customers' category, meaning Trinetra was among the top 5% performers for their global peer group.

Certified B Corps amend their constitutional documents so that, by law, they can make decisions and implement practices that consider not only shareholder value, but also the impact on all stakeholders, employees, customers, society, and the environment. Throughout the year, team members continued to collaborate and share best practices with other B Corps or those looking to join, including as a member on the Customer Impact panel discussion and helping an Asian investee company in their journey to successfully becoming a B Corp.



Trinetra's constitutional document includes the governance requirement expected of Certified B Corps, making its commitment to stewardship, sustainability and consideration for wider stakeholders' interests a legal obligation.

### Biennial values assessment

In May 2022 the team conducted its periodic team values assessment. The aim of these assessments is to further embed and encourage effective stewardship within the business, and to better understand any gaps in the team's values. Trinetra's values are effectively the organisation's cultural operating system, defining what behaviours need to be in place for delivering its purpose and mission.

Trinetra believes that a clear and transparent alignment of investors' values and culture with their investment objectives provides for long-term effective stewardship. Trinetra's approach has been built around its investment beliefs and culture. Trinetra discusses its investment philosophy with clients in detail to ensure that their requirements, especially around ESG, are fully aligned with Trinetra's approach and that their interests are met.

## Sharing of insights from ethnographic research

Aligned with Trinetra's mission, Trinetra shared its Immersions insights and views on EM investing via blogs, podcasts and at keynote speeches and at presentations with clients' investment teams.

Topics included the impact of inflation on consumption patterns in Brazil, the study of migrant labourers in India, and why portfolio construction in an uncertain world requires a new way of thinking and understanding of the underlying trends. These Immersions insights were presented to clients and their wider investment teams, not only to help them to understand what is happening in EMs, but also to inform their decisions across other markets.

## Sustainability of Operations

Trinetra considers sustainability issues for its own business, as well as for companies in which it invests. Since December 2019, 100% of the energy powering its office has been derived from low-impact renewable sources. Trinetra chose its current office space provider because of its active involvement in environmental initiatives relating to the premises. The office space provider seeks to manage its own environmental impact through energy efficiency systems, chemical reduction exercises and recycling programs. With its current office space provider, emissions relating to Trinetra's office (electricity, water consumption and treatment and waste disposal) have been efficiently minimised.

For 2022, Trinetra completed a detailed assessment of its carbon footprint using the UK Government Environmental Reporting Guidelines and its conversion factors. The carbon footprint falls fully within Scope 3 emissions since the firm operates from a shared office space. For a conservative approach to the office space calculations, the team included electricity Transmission & Distribution and Indirect emissions. Also included were emissions related to water supply and treatment. In the business air travel calculations, emissions with direct and indirect climate change effect were included, and for both air and land travel the calculations incorporate upstream Scope 3 emissions associated with the extraction, refining and transportation of the raw fuels before they are used to power the transport mode. Further included in the carbon footprint are emissions from business hotel stays, employee commuting and homeworking.

Trinetra wanted to offset its carbon footprint not just in 2022 but go back to when the company started operating in February 2017. Using a conservative approach, Trinetra applied the 2022 carbon footprint for its historic offset calculations. 2022 represented the high point to date in its Carbon footprint, given the increased team size and the pent-up demand for travel following the pandemic. Conservatively assuming that the previous years' footprint would be at the same level, Trinetra purchased Certified Emissions Reductions (CERs) from projects with verified benefits to local communities and ecosystems, offsetting its footprint back to its inception.

In 2022, our employees spent on average around 48 hours volunteering in the community. Giving back and contributing to the wider society is an important element of Trinetra's values and the firm provides the necessary flexibility to employees to participate in these activities.

Trinetra believes that the practices within its business have provided alignment with clients' and beneficiaries' interests, and it expects to make further progress with the launch of the Trinetra Foundation. Progress was made during 2021, with the Board of Directors of the Foundation formally engaged, and its policies approved. The application for registration with



the Charity Commission was submitted in November 2022 but due to an error in the application form, the submission was void, requiring the process to be repeated. Re-submission is due to take place in Q2 2023.



*End of coffee picking day, Chikkanagaluru, India*



# 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 (modified in February 2021 as part of its B Corp application) states that it is required to consider the impact of its business on all stakeholders.



*Multigenerational study, Mangalore, India*

### Qualifications of the EC for ESG oversight

The EC is responsible for ensuring that investments are aligned with Trinetra's culture and beliefs, which include using the power of business to build a more inclusive and sustainable economy, while being held to the highest standards of governance, and striving to ensure that groups of people in EMs are not left behind.

The EC provides oversight on Trinetra's stewardship activities through its

quarterly meetings. As part of its agenda the EC is responsible for:

- Approving collaborative 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

Trinetra believes that a diversity of experience and backgrounds provides for better oversight and decision. All three members of the EC are experienced in analysing ESG issues and have been with the company since inception.

### **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 12 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 has two decades of experience in research and 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 which counter discrimination and inequality.

### **Beatriz Urgel**

From 2006-2013 Beatriz worked in the Carbon Emissions industry, for Carbon Resource Management and CAMCO. Prior to that, she worked as a project manager for Temenos, a banking software developer, and as a management consultant for KMPG. Beatriz is a director of the Trinetra Foundation and a non-voting member of the EC, to avoid conflicts of interest between the investment manager and the foundation.

The EC is supported by the Chief Compliance Officer

### **Stephanie Winterhagen**

Stephanie started her financial services career in 1998 at the investment management boutique Pall Mall Partners, where she held various roles including Head of Compliance and MLRO of the venture capital business. Since then, she has worked as Compliance Officer across asset classes and regions, for global investment manager AllianceBernstein and the real assets/PE manager Stafford Capital Partners.

## **ESG Implementation**

ESG is core to Trinetra's process and is fully integrated into the way in which it operates, from its purpose and values to its governance, investment process, Immersions research, risk management, portfolio construction, and stewardship.

Trinetra believes 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 management of the investee companies.

### **Executive Committee review of ESG performance**

The EC (equivalent to the Board of Directors) meets quarterly and conducts a review of the firm's social and environmental performance, as well as identified ESG risks in the portfolio. The review focuses on proxy voting records and ESG engagement records with investee companies, as well as any ESG matters of relevance in the period.

## Training on ESG and company mission

Understanding social issues by speaking to people in their homes requires expertise, something very different from the training which financial services firms tend to provide. Trinetra, for example, collaborates with a leading ethnographic research boutique in India. The Trinetra team has been trained on similar techniques to those used by their ethnographers. For example, “transactional analysis” helps researchers to better understand people or “projective techniques” assist in obtaining more accurate responses for subjects where people think that their intentions may be unflattering.



*Weighting of picked coffee at end of day, Chikkanagaluru, India*

Trinetra publishes market insights and trends in podcasts and blogs, and gives presentations, interviews and webinars. Team members are expected to watch, read and/or participate in them, and to take associated follow-up tests, when available, in programmes that provide Continuous Education Credits as part of their continued professional development.

The most effective employee training is provided as “training on the job”. Stock reviews involve a structured process with which an analyst proposes a new investment idea for the portfolio.

The entire investment team is required to participate in stock reviews. ESG considerations are a critical part of the research conducted by analysts. All investment team members are subject to a continuous training process by participating in stock reviews. The firm’s internal risk handbook provides a detailed guide on how analysts quantify the ESG risks to adjust the cost of capital threshold in order to be able to make an investment.

The investment team conducts weekly review meetings where the portfolio is reviewed and discussed. Every team member is expected to participate collaboratively. The agenda includes performance, liquidity, risks, and ESG objectives, e.g., company engagement.

ESG performance is fully integrated in Trinetra’s decision-making processes. All team members are appraised in Trinetra’s mission and purpose, which remains unchanged since the firm’s creation. Trinetra has developed policies that consolidate the processes that it follows to ensure that ESG is part of every decision. These include its Responsible Investing and ESG Policy, Engagement Policy, and Proxy Voting Policy, by which team members must abide. Links to these documents are available on Trinetra’s website.

## Performance reviews incorporate ESG metrics

Performance reviews are conducted annually for all team members. As an FCA regulated firm, Trinetra must complete competence assessments for all team members involved in a regulated activity, and those subject to the Senior Managers & Certification Regime, including members of the investment team.



ESG objectives are included in the reviews as they are an essential element of Trinetra's mission and of clients' performance expectations. Analysts are expected to:

- monitor the ESG performance of their stocks by mapping social and/or environmental objectives to at least one of the 17 UN Sustainable Development Goals (SDGs);
- engage with investee companies on identified ESG issues and follow up on those engagements; and
- ensure all votable ballots are voted, and in accordance with Trinetra's proxy voting policy.



*Respondents whose lives Trinetra has studied*

## 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 they need to be understood on a bottom-up basis, by visiting people in their homes in villages and towns across Emerging Markets.

To understand social issues, investors, Trinetra believes, 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 record, in diaries, their daily lives, routines, values, dreams, anxieties and what is important to them.

### Fieldwork

Trinetra captures data by recording on video and audio and then transcribing discussions with respondents. During these discussions, the team may ask about the experiences of the

respondent's friends and relatives who might work for some of the potential investee companies.

## 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 follow-ups with respondents

Trinetra maintains discussions (via calls or social media) with respondents, facilitated by an ethnographer, after completion of the fieldwork. This allows the research team to study people's 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.



*Millennial consumer Salvador, Brazil*

## Team Incentives

The team performs a two-yearly review, assesses each team member's values, ensuring that they are aligned with Trinetra's culture, beliefs, and its purpose. The team uses this opportunity to consider what values the team needs to achieve its purpose. Trinetra understands that all team members come with their own values and understanding of what drives their actions. This helps Trinetra to better understand the risks within the organisation.

The outcome of the biennial review held in May 2022 is disclosed under Principle 1.

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



*Solar panels, Salvador, Brazil*

For example, collaboration is key to Trinetra's culture, and contributes to its ability to remove individual biases in ethnographic studies. Trinetra also collaborates closely as a team when attaining a broader view of risks, including ESG risks.

A further example is that part of Trinetra's 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 the team perceives they face.

Trinetra has been working to improve the way to measure the effectiveness of its stewardship activities, including implementing the B Corporations 'Impact Assessment' model.

Trinetra uses SDGs as its sustainability indicators and as measure of performance. In 2015, the UN agreed on 17 SDGs. The goals were designed for countries, not investors, and in 2017, Trinetra created its own taxonomy to map the solutions and opportunities provided by the companies in which it invests.

In 2022, Trinetra re-mapped its ESG indicators to be consistent with the Sustainable Development Investments (SDI) taxonomy. The SDI taxonomy was developed by a group of asset owners to classify and standardise a company's products and services as they relate to contribution towards an SDG. This should facilitate comparison with other financial products held by the firm's clients.

### **ESG performance is integral part of executive team compensation.**

As a Limited Liability Partnership, the partners constitute the executive team, which is led by the Managing Partner and Chief Investment Officer, Tassos Stassopoulos.

Consideration of ESG is embedded in Trinetra's processes, from investment decision-making to the day-to-day running of the firm. The LLP Agreement has since February 2021 incorporated a legal commitment to stewardship, sustainability and consideration of wider stakeholders' interests.

The executive team's compensation is therefore tied in to social and environmental performance at all levels. Trinetra's Remuneration Policy Statement clearly outlines this.



## Diversity & Inclusion Policy

Ethnographic research requires a collaborative approach between diverse team members to help remove the biases and preconceptions that each person carries as an individual, based on their upbringing and experiences. The seven team members hold passports from six nations between them, representing varied cultural backgrounds.

Trinetra is committed to being an equal opportunities employer and operates under a comprehensive Diversity and Inclusion Policy. Its recruitment, promotion and all other selection processes are based on an objective set of criteria, aimed at avoiding all forms of discrimination. The process is transparent to the wider partnership and team members can challenge in confidence a potential breach of any policy in accordance with the firm's Whistleblowing policy.



*Trinetra team with respondent, Salvador, Brazil*

Trinetra's culture will not tolerate any discrimination and all colleagues are required to sign a declaration on an annual basis, attesting to having understood the Diversity Policy, and agreeing to work to the standards expected, treating colleagues, visitors and all external parties with respect and dignity. It underscores the need to encourage all employees to fulfil their potential, and to ensure the

selection process for employment and promotion is based on 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 it works to act within the scope of Trinetra's 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 Trinetra's Diversity Policy, to which they have not been required to adhere.

### Case study: Flexible working in alignment with team member requirement

To accommodate a team member classified as high risk from COVID, Trinetra allowed for flexible working, thus enabling travel on public transport at less busy times. This involved also amending some team meetings to avoid "mid-morning" travel times, ensuring that the team member is not disadvantaged.

## Diversity Metrics for 2022

Trinetra believes that diversity is a core strength that contributes to its collective culture. As a small boutique, it does not have specific targets for diversity. Trinetra's team members all come from many different cultural backgrounds:

- 43% of Trinetra's team are women – (33% of partners)
- 17% are from the LGBT community (33% of partners)

Trinetra makes extensive use of ethnographic consultants. These are highly labour-intensive studies, and it is difficult to obtain an accurate measure of the hours spent by local consultants. For example, in 2018, a consultant firm recorded the hours worked on a Trinetra project and provided an analysis of the 4,000 hours (effectively 2 FTEs):

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

## Outcomes

As a Limited Liability Partnership, Trinetra is governed by the Executive Committee. The Managing Partner is the firm's CIO. The members of the Executive Meeting are the 3 partners of the firm, all of whom work full time within the firm.

Analysts are responsible for monitoring their respective portfolio positions on a daily basis for changes in social and environmental factors. Any major changes are immediately flagged or are otherwise discussed at the weekly Portfolio Review Meeting. During that meeting, the team agrees on the course of action, with the CIO making any investment-related decision.

Major stewardship actions are communicated quarterly to the Executive Committee by the CIO. This structure ensures that the Executive Committee is fully involved in all aspects of stewardship and its integration in the investment processes.

The Executive Committee meets quarterly and conducts a review of the firm's social and environmental performance as well as identified ESG risks in the portfolio. The review focuses on proxy voting records and ESG engagement records with investee companies. The Executive Committee monitors these records to ensure timely execution of any open engagement.

On a quarterly basis, the Executive Committee performs a full review of all risks faced by the firm, which includes ESG risks, using the same pre-mortem method that the investment team uses in its stock reviews. This process is explained in Principle 7.

In 2021, Trinetra identified the segregation of compliance and investment duties as an area of improvement. Prior to that point, the compliance function had been performed by one of the partners, who is also an analyst. While this is permitted by the FCA under MiFID rules given the size and complexity of Trinetra's operations, it was felt that a separation of roles would provide better independent Stewardship for clients.

In January 2022, Stephanie Winterhagen was hired as a dedicated compliance officer further strengthening the compliance function and ensuring oversight independence from other functions with Trinetra. Stephanie is a seasoned financial services professional, bringing with her many years of asset management compliance experience. Trinetra believes that the current governance structure is appropriate for its business and has proven to be effective in promoting stewardship in the organisation and ensuring its integration in all aspects of the business operations.



# Principle 3

## Conflicts of interest

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

A key element of good Stewardship is the duty of care, acting in the best interests of clients and other stakeholders. Trinetra recognises that conflicts of interest can arise in the course of investment management business from time to time and has therefore taken steps to mitigate or otherwise manage situations involving possible conflicts of interest that may arise.

Core to managing these 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 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, for which the investment team is responsible, and managing the profitability of the asset management firm, for which management is responsible. To avoid this conflict, Trinetra has not accepted any external capital, and the Executive Committee 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 an inducement and might result in actions which are not in the best interest of clients. It is Trinetra's policy not to pay for 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 its clients. All gifts or entertainment between £35 and £70 need to be notified to the Compliance Officer, and any above £70, or which are reasonably expected to be above that figure, require prior approval by the Compliance Officer.
- **Remuneration**  
In the case of discretionary bonuses, there is a risk that employees put their interests above those of clients in order to meet bonus targets. Trinetra does not set any bonus targets. In addition, Executive Committee members are all partners, and no discretionary bonuses are

paid to them. Instead, Executive Committee members receive a percentage of the firm's profits. Discretionary bonuses to employees are linked to the overall performance of the firm and of the funds 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 give rise to a conflict of interest risk between their personal trades and those placed by the firm. Trinetra's Personal Account Dealing Policy therefore requires pre-approval from the Compliance Officer for any personal trades of team members. The policy also restricts trading of any Emerging Markets 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 differing treatment of different accounts, for example, pooled vehicles and segregated mandates, that the firm manages. This potential risk is managed through Trinetra's Trade



*Respondents focusing on running after COVID*

Allocation Policy, the

substance of which is pre-programmed in the Firm's Order Management System, Bloomberg AIM. When a single trade is to be allocated across multiple accounts, that allocation is always dictated when the trade is entered into the Bloomberg AIM system prior to the execution of the trade. If a trade to be allocated across multiple accounts is partially filled, then the allocation is calculated such that all accounts are scaled down by the same proportion, namely the proportion that the eventual trade represents of the intended trade. Allocations for IPOs are calculated by the CIO and approved by the Compliance Officer to reduce the risk of conflict, applying the same principle of proportion.

- **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, an information barrier must be created, and the employee who is in receipt of the information must ensure that it is not shared with any other persons, either in the firm or outside of 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 Trinetra to voluntarily receive MNPI would be if it is in the firm's clients' interests to do so. Having been taken inside, voluntarily or involuntarily, Trinetra's procedures dictate that the relevant stock or stocks is/are put on the firm's Restricted List, and trading in the stock or stocks is not permitted until the MNPI concerned

has been made public. 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 at the time of this report.

Related to this point, the firm does not engage with Expert Networks which may carry incremental risk of receiving MNPI.

## 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 2022, no material conflicts or potential conflicts that would require disclosure to clients 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>.



*Dogs have become a member of the family after Covid.*

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 the risks faced by the business, including those relating to conflicts of interest. Where a risk of conflict of interest has been identified, processes are put in place to monitor and control the risk. Any failure to adhere to the firm's 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, including potential termination of the employment.

## Beyond Trinetra's Conflicts of Interest Policy

Alignment with Trinetra's clients' interests is reinforced as members of Trinetra's Executive Committee have invested a material proportion of their liquid wealth in the Trinetra Emerging Markets Growth Fund. Trinetra believes that this ensures and supports good stewardship through alignment of incentives with its clients' interests.

## Outcomes: actual or potential conflicts of interest

No actual or potential material new conflicts were identified in the reporting period.

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



*Coffee picking, Chikkanagaluru, India*

# Principle 4

## Promoting well-functioning markets

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

### Identifying Market-wide and Systemic Risks

There are 5 elements to the process through which Trinetra identifies market-wide and systemic risks:

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

### Investment Process

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



*High income consumer focusing on sustainability, São Paolo, Brazil*

Trinetra believes that its long-term focus helps to promote a more efficient and well-functioning financial system. Trinetra approaches its investments with a minimum investment horizon of five years and engages with management to ensure that they have an equivalent mindset, especially with respect to their appreciation the various risks that face their companies, as well as their approach to managing those risks. It is important to encompass all risks,

including ESG risks, enabling management to address long-term challenges, which include climate change.

Trinetra selects the companies in which it invests through in-house, fundamental research. The process begins with ethnographic studies, called Immersions, as described under Principle 6.

This structured selection process and insights from Immersions help the team to identify companies that it would consider for investment. By virtue of its long-term focus, combined with engagement with investee companies on both risks and driving the SDGs, Trinetra builds a portfolio to optimise risk-adjusted returns that is resilient to market-wide systemic risks. Trinetra believes that companies contribute to reduced systemic risk when they have strong internal risk management control processes. This, Trinetra believes, is further enhanced in companies which provide goods and services that are aligned to SDGs and which aim to create a better and fairer world by 2030.



*Indian entrepreneurs, Mumbai, India*

When engaging with companies, the team shares and discusses its independent risk assessments, highlighting what it views as material risks that can affect companies' outlook, including market-wide systemic risks, such as environmental risks. Trinetra encourages management to more effectively focus on long-term issues as opposed to reacting to short-term noise.

Similarly, this engagement is used to build a better understanding of the risks that they view as systemic, and the mitigating controls that they have put in place.

Trinetra's research focuses on understanding social and environmental issues in EMs. Its Immersions research is effective in reaching an in-depth understanding of the social issues that people face, and on identifying any solutions to those issues. Trinetra invests in companies that directly benefit from the rise in domestic consumption and believes that domestic consumption is an inescapable driver of investment returns. While the firm does not maintain a specific exclusion list, Trinetra does not invest in energy producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers, because these are outside of the scope of its Immersions research.

For example, in its Immersions research Trinetra encounters women in both rural and urban areas that lack access to sufficient information to enable them to lead healthy lives. 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 SDGs: SDG 1 – No Poverty; SDG 3 – Good Health and Wellbeing; SDG 4 – Quality Education; SDG 5 – Gender Equality; SDG 8 – Decent Work and Economic Growth; and SDG 10 – Reduced Inequalities. Trinetra had previously created its own taxonomy for these social drivers and mapped investments across each of them. In 2022 it re-mapped the ESG indicators to be consistent with the Sustainable Development Investments (SDI) taxonomy, as explained in Principle 2. Under the SDI taxonomy, the issue described above would be mapped to SDG 6 – Clean Water and Sanitation and SDG 5 – Gender Equality. Trinetra believes this should help with better alignment of our reporting to clients with SDGs.



These products nevertheless cause environmental pollution, exacerbated by the fact that many rural areas have no access to landfill sites, so many consumers rely on incineration for their disposal. Trinetra consequently focused investments that aim to minimise the adverse impact they have on the environment. For example, in the case of one of Trinetra's investment, the percentage of renewable energy used in the production aligns with SDG 7 – Affordable and Clean Energy; the level of reduction in packaging material per unit of sale aligns with SDG 12 – Responsible Consumption and Production; and the number of disposable paper diaper recycling facilities the company operates aligns with SDG 9 – Industry, Innovation and Infrastructure.

## External Networks

Trinetra's analysts are experienced in their respective sectors and have an in-depth understanding of market-wide and systemic risks. Trinetra augments its analysis with the SDGs and the Sustainability Accounting Standards Board (SASB) checklists for sustainability risks by Industry to ensure that all material risks have been considered.



*Multigenerational study, Mangalore, India*

Trinetra believes 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, Trinetra weighed the positive impact of better connections for lower-tier cities, allowing them to develop and prosper, against the carbon emitted by aircraft.

## Communicating Trinetra's Research and getting Feedback

Trinetra's investment team regularly contributes to the investment community through keynotes, webinars, podcasts, blogs, interviews and articles, discussing risks which are relevant to investors, and assessing ongoing market events and trends. The CIO is a member of the Faculty of the Portfolio Construction Forum in Australia and regularly delivers presentations on market-wide issues. For example, Trinetra gave a webinar at the Portfolio Construction Forum in August 2022 entitled "Keynote: Portfolio Construction Strategies ain't what they used to be", in which Trinetra's CIO argued that with rising global anxiety levels and shifting geopolitical, economic, environmental, and social bedrocks, portfolio construction requires navigation in an ever-changing world. Without a clear and straight path ahead, every investment or allocation needs to be viewed from the bottom up to understand its trendline and the wider dynamics.

In its monthly newsletter, Trinetra also discusses current market topics or longer-term trends, often following questions from clients.

Trinetra hopes that by sharing insights it can encourage a deeper discussion around market-wide systemic risks and to encourage more sustainable capital allocation and management. Trinetra aims to encourage participants to hold more structured discussions around risk in contrast to reacting to market movements.

## Collaborative Engagement

Trinetra's core skills are in conducting ethnographic research and understanding consumers and trends. Trinetra feels that it can generate more value by acting as consultants to the companies in which it invests. Trinetra seeks to join collaborative initiatives when they are aligned with the work it does, and when such actions enhance the value to its clients and beneficiaries.

Trinetra is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and encourages the companies in which it invests to report in a way that is consistent with TCFD recommendations.



*Respondent explaining the impact of digital payments at the bar she works*

With the introduction of the EU Sustainable Finance Disclosure Regulation (SFDR), disclosures by investee companies are becoming more relevant. During 2022, Trinetra engaged with portfolio companies to inform them about the regulation, the data they may need to provide. It was stressed that it was a valuable exercise for investee companies, given the ongoing annual requirement for many investment vehicles and investment managers to

report on their underlying investments. In December 2022, Trinetra wrote to every portfolio company, highlighting to them the gaps between their disclosures and SFDR requirements, engaging with them on the rationale for better disclosure to investors.

These engagements with companies will promote access to more accurate information on the systemic risks related to climate change and sustainability related issues, and on how these companies are contributing or can contribute to their mitigation. Since 2017, Trinetra has been a signatory to the UN Principles for Responsible Investment (PRI), which promotes sustainable investment practices through incorporating environmental, social and governance (ESG) factors into investment process. Trinetra believes that this network of investors will promote more efficient capital markets.



In 2022 Trinetra collaborated directly with the PRI, participating in a signatory consultation about the role of the PRI in the changing world, mainly its mission, principles, governance and assessment framework. The results of this consultation will be published during 2023. Trinetra also voted on the PRI Board using its ballots, as it does every year. Trinetra believes that participation in these initiatives is crucial to ensure that the PRI remains a relevant and influential body, which can contribute to market efficiency.

Trinetra continues to endorse and collaborate with two initiatives that engage with pharmaceuticals companies to include objectives for medicine and vaccine access in their business models and executive remuneration:

- The Access to Medicine Foundation, which stimulates and guides pharmaceutical companies to do more for the people living in low- and middle-income countries without access to medicine.
- A PRI group leading engagement with 12 pharmaceuticals companies that are vaccine producers to promote linking vaccine access to executive remuneration practices.



*Study of values of consumers buying electric vehicles in Brazil*

Both initiatives are aligned with Trinetra's core beliefs and could address market inefficiencies, with the potential for significant positive impact. Trinetra understands that addressing systemic risks and engaging with companies is a lengthy process. Nevertheless, meetings and calls held with those pharma companies have facilitated a constructive discussion, and underlines the case that investor pressure can act as an important motivator. Further details on these initiatives and their outcomes can be found under Principle 10.

Trinetra has continued its support in the collaboration run by WWF and the Ellen MacArthur Foundation on a call for a UN treaty based on a circular economy approach to address plastic pollution on a global scale. This is another significant environmental market-wide risk. Following the milestone of a unanimous agreement in February 2022 for the adoption of a mandate for an International Negotiating Committee (INC) to develop a legally binding UN Treaty on Plastic Pollution, a business coalition has been created which will participate in the INC meetings. The objective of the collation is to provide input from business and NGOs and to support the development of concrete global rules to address plastic pollution.

During 2022, linked to climate change as one of the major systemic risks identified (see below section on 2022 risks), Trinetra also:

- joined a PRI collaboration to co-sign a letter asking the SEC to adopt a proposed climate disclosure rule. Trinetra had previously provided feedback on the consultation paper in 2021. The objective of this action is to signal to the SEC that there is investor support for the proposed climate disclosure rule.

- co-signed the 2022 Global Investor Agenda to Governments on the Climate Crisis, which is more ambitious than the previous year's statement in its demands for action to respond to the climate crisis.
- joined the signing of an investor letter for the implementation of the EU Corporate Sustainability Due Diligence Directive (CSDD), which proposes mandatory environmental and human rights due diligence for large financial and non-financial companies.
- joined "Moving on nature together", a statement from the Private Financial Sector to the UN Biodiversity COP15 that commits financial institutions to contribute to the protection and restoration of biodiversity and ecosystems through financing activities and investments.
- participated in the consultation relating to Local Government Pension Scheme (LGPS) in England and Wales, which sought views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Trineta believes that its participation in the initiatives above is an effective way to contribute to the identification of and response to market-wide systemic risks, and the promotion of better functioning markets. Further details on these initiatives and their outcomes can be found under Principle 10.



*Study of India Gen-Z in Mumbai*

## Ethnographic Research

Finance theory views the pursuit of profit as the core driver of people's behaviours. While the calculation of the financial value of a company based on future cash flows has barely 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 on the back of those activities.

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

Trineta uses ethnographic research to understand and map values across Emerging Markets and how they are shifting. Ethnography has for years been the essential means of garnering

consumer insights to map changes and the reasoning behind them. In 2022, Trinetra's ethnographic research involved Immersions studies in Brazil and India to analyse how mindsets changed post COVID, how these consumers are dealing with rising inflation, and their priorities as their values change. By understanding the problems and solutions, as seen from consumers' perspectives, Trinetra can seek out investment opportunities which support them in overcoming their challenges.

## Market-wide and systemic risks

Trinetra invests in companies that directly benefit from the rise in domestic consumption in EMs and believes that domestic consumption is the main driver of investment returns. While the firm does not maintain a specific exclusion list, Trinetra does not invest in energy producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers, because these are outside of the scope of its Immersions research. When identifying companies that provide solutions to social issues in Emerging Markets, Trinetra looks for the following characteristics, as it believes that they provide the right profile for long term resilience:

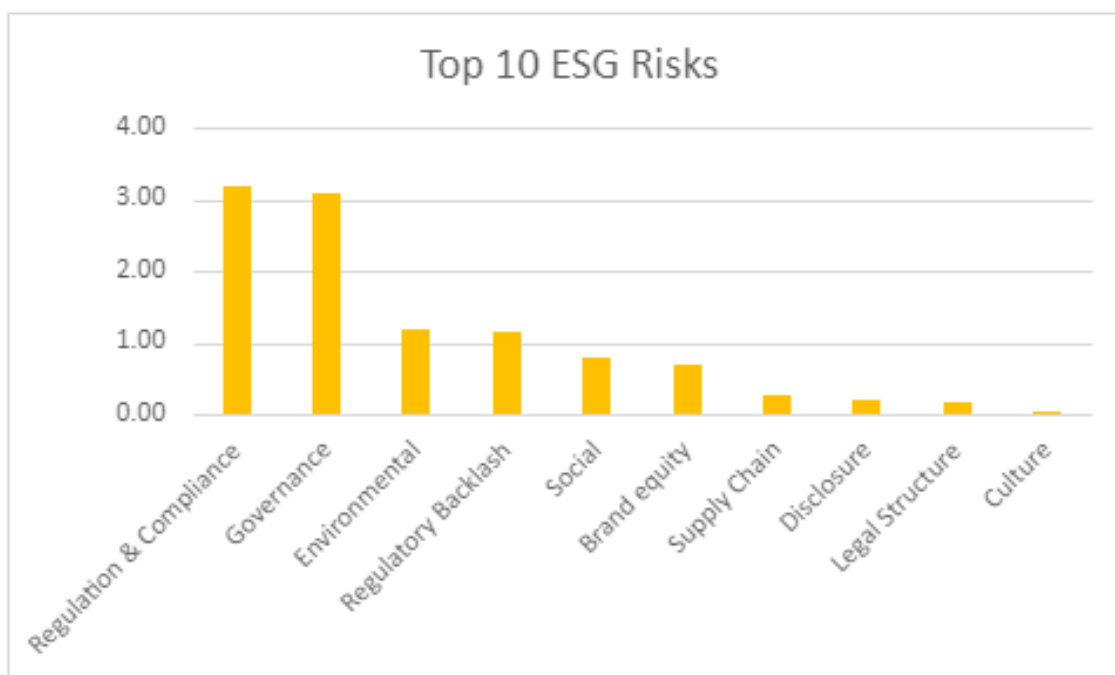
- They can offer a solution to people's problems and therefore capture a growth trend.
- They have sustainable business models.
- They have quality management, who:
  - have interests that are aligned with investors' interests;
  - have demonstrated past discipline in managing cashflows and balance sheets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

Trinetra has found that companies with strong internal risk management frameworks are 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. Trinetra continually monitors companies on how they address the issues raised during engagement. Trinetra considers collaboration with other investors if in its opinion it would enhance the results of the engagement in terms of clients' and beneficiaries' interests.

## Outcomes: Market-wide and Systemic Risks

Although identification of risks is conducted on a bottom-up basis, overall risks are aggregated at the portfolio level to give an overview of how systemic these risks are, or how significant a risk is in the context of Trinetra's portfolio. The team provides a score out of 10 for each risk on the basis of the probability that a risk will materialise, its significance in terms of impact on the valuation of the company should it materialise, and the extent to which the risk is priced in.

To assess market-wide and systemic risks, Trinetra aggregates the risks relating to all positions in the portfolio.



Source: Trinetra

The biggest ESG risk in 2022 for the Trinetra portfolio was Regulatory & Compliance risk, ahead of Governance Risk. Regulation & Compliance risks have been increasing in recent years largely due to newly introduced regulation in several areas, not least SFDR, and the heightened scrutiny that it is likely to bring about. Furthermore, as employees of many companies have been working away from their office locations, compliance has become harder to monitor.

Governance risk is high because Trinetra invests in companies in EMs where many founders have significant control, and where there is lower mandated independent oversight of managements.

However, Trinetra believes this is a systemic risk for many of the boards of the companies that it researches. Although there are positive steps to bring gender and ethnic diversity to some boards, where the lack of diversity is easy to identify, Trinetra has been engaging on cognitive diversity, which requires more in-depth understanding of the independent board members' backgrounds. Having diverse skill sets and backgrounds in a board, can help management to navigate forward-looking challenges.

For example, one of the technology companies with which Trinetra has been actively engaging has a majority independent board with four Independent Directors. Although the biggest risk Trinetra sees in the company is the navigation of upcoming technological trends, all independent directors have financial backgrounds in private markets. Trinetra is not concerned about the independent directors' ability to provide stewardship with respect to current governance matters, but is concerned that the board lacks sufficient technology skills to develop independent views of upcoming trends, and to be able to challenge and provide guidance to management.

To address this systemic risk, Trinetra has made the area of board background and skills one of its ESG focus areas for engagement with managements.

Environmental risk has also been increasing. Several changes to some countries' regulations have improved disclosure by companies, allowing for better assessment of the risk for each



company. Trinetra has seen an increase in collaborative initiatives driven by investor groups that seek to influence and demonstrate that the financial sector demands action by governments and regulatory bodies in the implementation of policies and rules to address the systemic risk that climate change, biodiversity loss, pollution and others, represent. Trinetra believes that these collective actions are efficient when it comes to raising attention to market-wide and systemic risks. Trinetra intends to continue to join collective actions when they are aligned to the risks identified in its research.



*Worker turning coffee to dry in the sun, Chikkanagaluru, India*

# Principle 5

## Review and assurance

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

### Policy Governance

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

For its annual review process, Trinetra has engaged a specialist regulatory consultancy firm to provide guidance and support. The consultancy firm helps to ensure that Trinetra's policies cover every element of newly applicable rules, and that its processes incorporate the necessary changes for their effective application.

As a small investment firm with a single, long-only equity strategy, Trinetra's processes are often simple. Trinetra therefore considers it sufficient to engage an external regulatory consultancy firm to support and advise the internal dedicated Compliance Officer with the policy review process to ensure that any inconsistencies or gaps in procedures are identified. Further external assurance that Trinetra receives in relation to stewardship within its policies and procedures is provided by:

- **UN PRI:** As PRI signatories, Trinetra's policies are subject to review and to scrutiny during the annual transparency report, which rates Trinetra's responsible investing, stewardship and ESG integration.
- **EU Sustainable Financial Disclosure Regulation (SFDR):** Although as a UK investment manager Trinetra is not obliged to report under SFDR, the Trinetra UCITS ICAV must comply with the required disclosures, which inherently include scrutiny over Trinetra's policies and procedures regarding ESG.
- **B Corporation Certification,** a process managed by the B Lab, is the outcome of a highly selective assessment and verification process. Companies must document their positive impact to qualify, undergoing re-certification every three years to maintain their Certification.

Trinetra's Executive Committee is responsible for the approval of all of the firm's policies. Team members are provided with reviewed and updated policies and procedures and are required to sign attestations that confirm their understanding and adherence to them, while encouraging them to raise any issues they may have.

Policies are formulated to be aligned with the firm's philosophy and beliefs, which incorporate stewardship and sustainability principles at their core. Trinetra listens to its stakeholders and continuously aims to implement changes to its policies and procedures that will improve stewardship.

It is Trinetra's objective to be transparent about its stewardship activities and to provide clear and detailed reporting to its stakeholders and to the public. Linking to its mission, Trinetra believes that sharing its 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 Trinetra develops reporting that gives a complete picture of the why, what and how it does it, and that is easily understandable by all, by using plain language and comprehensive examples.

## Examples of reviews

- **SFDR:** In 2022, Trinetra shifted its focus to preparation for the EU Sustainable Finance Disclosure Regulation (SFDR) Level 2 disclosures, which came into effect on 1 January 2023. Under SFDR, the Trinetra UCITS ICAV – Trinetra Emerging Markets Growth Fund, an Irish Collective Asset-management Vehicle, will need to report detailed sustainability-related disclosures. Trinetra therefore worked on updating the fund documentation (the Prospectus and Supplement) and internal documentation (the Compliance Manual) accordingly.

- **B Corp Review:** In its 2021 Stewardship Report, Trinetra referred to its application to become a Certified B Corporation and the amendments to Trinetra's policies that were driven by this application process. Trinetra achieved B Corp Certification in April 2022, with an overall score of 149.2 out of 200 (the minimum score for B Corp certification is 80). This high score has earned Trinetra "Best For The World™" 2022 recognition in the two impact areas of Customers and Governance, awarded to the top 5% of all B Corps in its corresponding size group.

- **Team Assessment:** At the end of 2022, Trinetra introduced an expanded annual assessment process for 2023 for all team members, which involves 360-degree reviews (individuals providing feedback on other team members) thus getting a rounded idea of their subjective performance interpretation. As part of this process, each team member sets their own goals for the year, which are agreed with the Managing Partner and will be tracked over the course of the year. This is to aid



*Study of runners in São Paolo, Brazil*

team members with setting and achieving their own goals and to foster continued professional development, while aligning individuals' goals with those of the firm. As an FCA regulated firm, individuals subject to the Senior Managers & Certification Regime (SMCR) who are either Senior Managers and thus approved by the FCA to hold a Senior Manager Function (SMF) or else subject to the Certification Regime and thus certified by Trinetra to hold a Certification Function, must be assessed and recertified on an annual basis for their continued competence as well as fitness and propriety. Trinetra believes that the enhanced assessment process will further support meeting these requirements.



- **Modern Slavery:** Due to its size, in the UK Trinetra is not currently subject to Section 54 of the UK's 2015 Modern Slavery Act which requires firms to publish an annual Modern Slavery Statement. However, due to Trinetra's activity in Australia and following requests from the Responsible Entity of its Australian registered vehicle, Trinetra has enhanced and formalised its processes.

In a reflection to its ongoing commitment to support Human Rights, Trinetra has a Modern Slavery Statement, which is currently maintained internally and is available upon request. The compliance function has further conducted a due diligence exercise on the firm's service providers to ensure that they have processes and/or statements regarding Modern Slavery, where in scope. Lastly, as part of SFDR, Trinetra is engaging with its investee companies over their status with respect to Modern Slavery.

- **OSC Registration:** Trinetra is currently applying for registration with the Ontario Securities Commission (OSC) as an Adviser. Amendments to internal policies and procedures will be required as a result of the application process with OSC, which is expected to be completed by mid-2023. Legal and compliance advice in the local jurisdiction will be used to ensure compliance with local legislation, with the Executive Committee overseeing the process together with the Compliance Officer.



*Trinetra team with the respondents whose lives we study at the coffee plantation in Chikkanagaluru, India*



# 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.

### Trinetra's Clients

Trinetra is a boutique asset manager which manages a single strategy. It invests in listed Emerging Markets equities and focuses on companies that it believes will benefit from the rise in domestic consumption, and where domestic consumption is the main driver of investment returns. While the firm does not maintain a specific exclusion list, Trinetra cannot foresee investing in energy producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers, because these are outside of the scope of its immersions research and will therefore not fall within our investible universe.



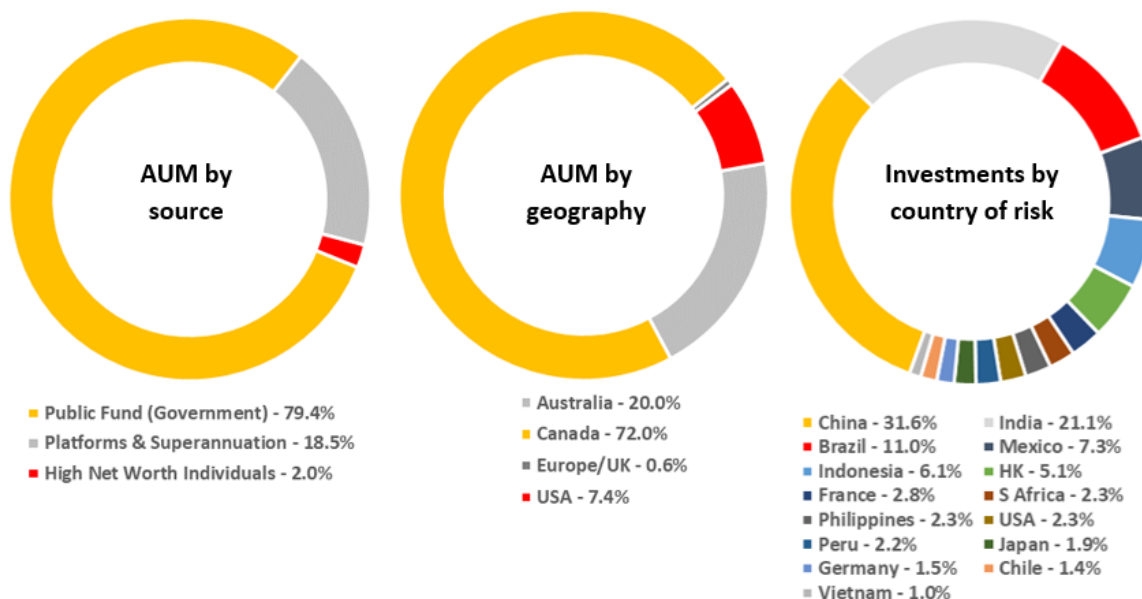
*Focus on health and wellness coming out of COVID. Options of running shoes in São Paulo.*

Similarly, Trinetra's Immersions research sees products through the eyes of EMs consumers. Thus, Trinetra does not invest in activities which these consumers consider to be obstacles, for example, to improving their health and wellness. These might include companies specialising in gambling, such as bookmakers and casinos, and companies manufacturing or producing spirits and hard liquor or tobacco.

Trinetra's strategy does not allow investment in any other asset classes, in derivatives, and nor do its portfolios employ leverage. At the end of 2022, the portfolio held 42 Listed Equity positions. Fund accounting for the pooled vehicles publishes daily prices and Trinetra publishes all portfolio positions with a one-month delay. Trinetra therefore believes that its business model is transparent, especially given the low level of complexity.

Client assets are in both pooled and segregated accounts. Trinetra's 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. Trinetra does not market directly to retail investors, however they can access its Australian registered vehicle through retail platforms in Australia, where the vehicle is included in a model account by local consultants.

## Assets under Management



Source: Trinetra

At the end of December 2022, Trinetra's Assets under Management amounted to \$172.1 million. Approximately 72% of the assets are from Canadian clients, and a further 20% is from clients in Australia, with the remaining 8% coming from clients in the USA and Europe. The assets that Trinetra manages are invested in Emerging Markets equities. Trinetra defines 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

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

The long-term nature of Trinetra's investment strategy is explicitly aligned with multi-year investment objectives required by retired pension plan scheme members, which represent the largest client group.

## Communicating with clients

Because of Trinetra's distinct approach to responsible investing, the team spends a substantial amount of time working with clients to ensure that they understand Trinetra's investment philosophy and methodology. Trinetra recognises that transparency is an important feature of effective stewardship. Trinetra has been open about sharing details of its in-depth research, approaches and activities with clients and other interested parties.

## Transparency with the Public

Trinetra's mission to share its proprietary ethnographic research, insights and views with the wider community, highlights the recognition of transparency as an important feature of effective stewardship by the firm. 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 Trinetra's Immersions studies. These case studies aim to humanise and explain the social issues and help the firm's 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.
- **UN PRI submission:** Trinetra has been a signatory to the Principles for Responsible Investment since its inception. Trinetra's annual Transparency Reports are available online on the UNPRI website.
- **Proxy voting records:** Trinetra publishes its voting record quarterly on its website. The record provides details on each company's proposed resolutions, the management recommendation, the proxy voting policy recommendation, and how the team voted, whether for, against, withheld or abstained, and the rationale.
- **Proxy voting policy:** This Policy provides clarity to Trinetra's clients as well as to companies in which it invests on how it intends to discharge consistently and responsibly its proxy voting obligations.
- **Engagement Policy:** This Policy provides transparency to both clients and companies on the issues over which Trinetra will engage.
- **Conflicts of Interest Policy:** This Policy provides transparency on the steps Trinetra takes to ensure that conflicts and potential conflicts are managed objectively, and that clients are treated fairly.
- **Monthly performance factsheets:** These publications show performance for Trinetra's Australian registered vehicle and positioning of the portfolio by company, sector and country.
- **Consultant databases:** Trinetra provides monthly and quarterly updates to eVestments, Mercer's GIMD, MorningStar and Refinitiv to allow clients to compare performance and positioning relative to peers.

All documents are available on the Trinetra's website at [trinetra-im.com](https://www.trinetra-im.com).

- **Keynotes:** For example, in 2022, Trinetra delivered a keynote at the Portfolio Construction Forum in Australia entitled "Portfolio Construction Strategies ain't what they used to be" at the Portfolio Construction Forum in Australia, which is published on Trinetra's website and was made available to the wider public in November 2022 (see <https://www.trinetra-im.com/insights>).
- **Podcasts:** These are available on iTunes, Spotify, Amazon, to the public. In 2022, the following podcasts were published:
  - Inflation, PIX & pets: Brazil's changing consumer habits
  - Why ethnography is more important than ever
  - Gite Ghate: India's consumers are changing
- **Blogs/Infographics:** Trinetra has published a number of blogs/infographics on its website, for example Takeaways from 2021 that will drive EMs in 2022 and beyond, Insights from Brazil, how PIX drives entrepreneurship or Emerging Markets consumers are tearing up the Inflation playbook. 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 Trinetra's pooled vehicles receive monthly reports detailing fund performance, discussions that the research team has held, portfolio movements, analysis of the top contributors to and detractors of returns, and the rationales for proxy voting on proposals where Trinetra voted against management or against the firm's own policy. Trinetra also provides bespoke monthly or quarterly reporting according to prescribed content formats for its clients.

- Presentation of Immersions findings: Trinetra presents its findings from Immersions studies to its clients, including to their colleagues who invest in public equities. Trinetra discusses how its findings relate to major trends and to market-wide and systemic risk.



*Studying post-COVID eating habits of Gen-Z, Mumbai, India*

- **Company Research:** Analysts maintain their research notes and presentations on specific portfolio holdings, which cover among other things the team's findings from Immersions studies, 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 Trinetra 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:** Trinetra records ESG case studies of engagement with companies, which are reported to its clients to try to help them better understand social issues in Emerging Markets, and how Trinetra works towards providing solutions to those issues.

## Taking Account of Clients' Views

As a boutique asset manager offering a customised service, Trinetra always seeks to take into account its clients' views. Aligned with Trinetra's mission to accelerate positive social transformation in EMs through efficient allocation of our clients' capital to companies which can provide solutions to those issues, Trinetra places emphasis on educating and informing clients about its insights. Trinetra strives to understand its clients' existing views and perspectives as context in which to frame discussions about its ethnographic research.

This client-focused engagement is conducted via regular Emerging Markets trend updates, using blogs, white papers or podcasts, with current market analysis e-mails to clients, and regular fund review meetings. For communications sent via Trinetra's distribution list, Trinetra monitors and evaluates the effectiveness of blogs or podcasts to ensure that clients receive information in the most suitable formats. In



*Studying impact of inflation on low-income consumer, São Paolo, Brazil*

meetings with clients. Trinetra encourages discussion on the items presented and frequently fields questions on a range of Emerging Markets and sector topics.

Trinetra's fund review meetings' agendas always include a feedback or suggestions item where it asks how the team could better address the clients' needs and also look to discuss any potential areas of collaboration. Trinetra prefers to have a direct communication with clients for a more open dialog and to ensure their needs are met.

## Managing assets in alignment with clients' stewardship and investment policies

Trinetra was established 7 years ago as a dedicated investment boutique that uses ethnographic research to capture growth opportunities in Emerging Markets. Trinetra's focus on the "social" element of ESG is welcomed by investors looking to go beyond the immediate social impact within the companies in which they invest, seeking to encompass wider social impacts that affect a company's customers and even broader sets of stakeholders.

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

Trinetra agrees with its clients the reporting obligations in order to provide transparency and visibility on how their assets are managed 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 Trinetra's communication with clients.

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

Trinetra makes all major policies available to clients on request. Others are available on Trinetra's website. For certain clients, the provision of the policies and any future updates is embedded in the contractual obligations as part of the Investment Management Agreement that is signed with each client.

Before a client engages Trinetra's services, the team goes 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, when Trinetra begins to act as an investment manager for a client, it is well aware of that client's needs.

Trinetra's approach to understanding clients' needs is based on transparent reporting, direct engagement with clients and constant communication. Trinetra's institutional client base is attuned to its investment philosophy, and the team keeps an open approach to discussing with clients any changes they might consider appropriate to fulfil their needs.

## Outcomes

Based on feedback received, Trinetra believes that it has been effective in taking into account its clients' and beneficiaries' needs, and in communicating to them the activities and outcomes of its stewardship and investment. With the end of COVID travel restrictions, the team was able to conduct more face-to-face meetings and workshops, discussing the portfolio, presenting its findings or addressing specific topics, for example the impact of inflation on consumers or COVID restrictions in China.



Coffee picking, Chikkanagaluru, India

consumers or COVID restrictions in China.

Trinetra has clear capacity targets for AUM at which its strategy will be soft and hard closed. Trinetra will evaluate the need to put a limit on the number of client accounts that it will manage to ensure that it continues to offer the same customised service it offers today.



# 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 outlined under Principle 1, Trinetra runs a single strategy. Its long-term, active engagement approach has stewardship and sustainability at its core and is fully integrated in Trinetra's investment philosophy and process. Trinetra's Responsible Investing and ESG Policy was developed to document its policies and practices relating to responsible investment. It contains details of the integral role that ESG plays in the investment process and decision making across Trinetra's strategy. It also contains details of the Voting Policy, Engagement Policy, and compliance with certain regulations. Trinetra's RI and ESG Policy can be accessed at <https://www.trinetra-im.com/responsible-investing>.

One of Trinetra's core beliefs, and one that drives its ESG integration approach, is that addressing social issues is fundamental to ensuring environmental sustainability. Trinetra believes that this is best understood by the Doughnut Economics Framework.



### Doughnut Economics

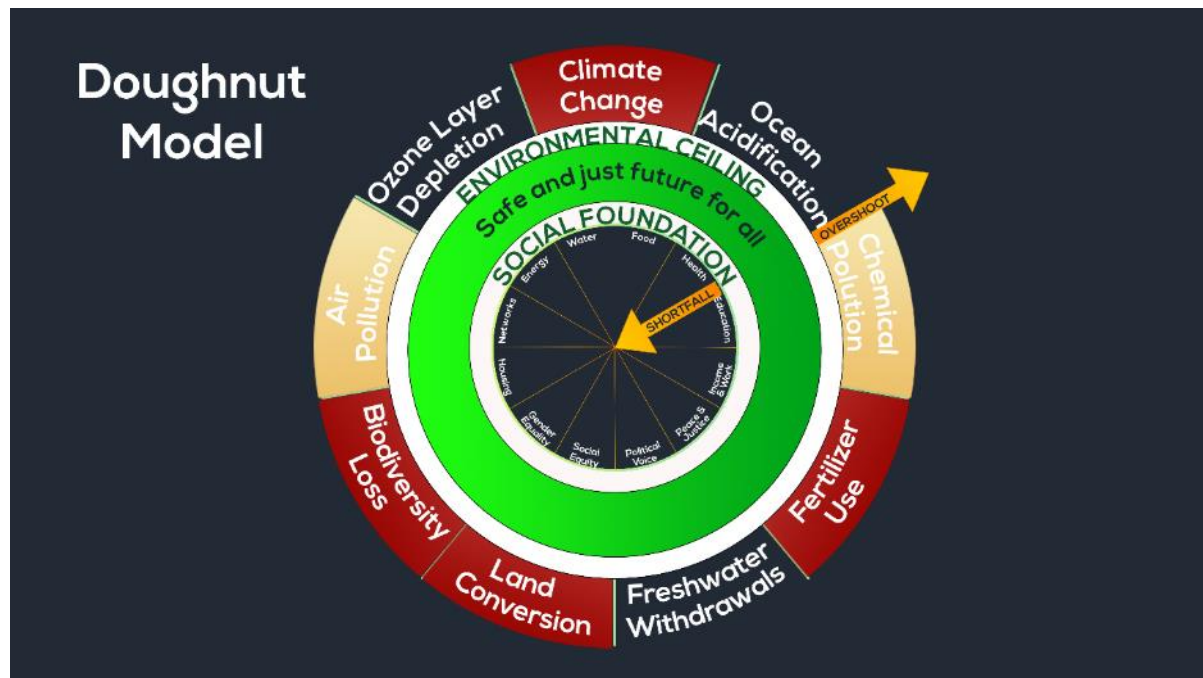
The framework created by Oxford University economist Kate Raworth is useful for considering climate risks in the context of social risks that are key to Emerging Markets investing. In her book *Indian Gen-Z ethnographic Study Mumbai, India Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, Raworth represented the "Planetary Boundaries" with a doughnut's outer ring, offering a framework to ensure "that collectively we do not overshoot our pressure on Earth's life-supporting systems".

Raworth added an inner ring that represents "life's essentials, to which we must aim to raise everyone, to create a fair and just world."

Concerns over environmental damage are the key priority for many ESG investors, but social aspects are often overlooked, particularly those which are hard to measure. Trinetra believes

that addressing the challenges for those left behind is not only the right thing to do, but ultimately also makes good environmental sense, notwithstanding difficulties in measurement.

Trinetra’s opinion is that over the long term, the “doughnut” shows that environmental solutions will prove to be unstable unless Emerging Markets social issues are solved, for example, increasing populations or responsible consumption.



Source: Johan Rockström and Mattias Klum (2015) Big World, Small Planet, Yale University Press, Raworth, Kate (2017). Doughnut Economics: Seven Ways to Think Like a 21st Century Economist. Trinetra

ESG is integrated in Trinetra’s 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

## Immersion Research

During Immersion 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 above, Trinetra studies the lives of people within different socioeconomic groups, predominantly: people at the bottom of the pyramid; women; 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 investible ideas, is by its nature qualitative. It seeks to provide insight into trends about which data, and the means to analyse it quantitatively, do not yet exist.

The outcome of the Immersions Research stage is that Trinetra compiles a universe of companies that it believes can provide solutions to the challenges that consumers in Emerging Markets 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 the team believes 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.

*Lunch during coffee picking, Chikkanagaluru, India*

### **Case Study 1: Engagement on improving healthcare service offering to consumers**

As part of Trinetra's ethnographic study in Brazil in May 2022, the team looked into how consumers' demand and access to healthcare had changed following the COVID pandemic.

The public healthcare systems in Brazil, as in many Emerging Markets, are overstretched. Consumers whose lives Trinetra studied during the May 2022 study often look for low-cost solutions that allow them to avoid the long delays of public hospitals and to receive timely and affordable care for themselves and their families.

A conventional private hospital solution is only an option for higher socioeconomic groups, and high prices are often exacerbated by adverse incentive structures. Private hospitals are regularly incentivised to maximise the revenues that they receive from payors, often insurance companies, which in turn leads to higher premiums, making conventional private medicine inaccessible for less wealthy consumers.

Trinetra invests in a company that consumers from lower socioeconomic groups see as a solution to their needs, particularly after COVID when they want to minimise reliance on public healthcare systems. As one consumer explained, health insurance is what you need for your kids so you can sleep at night.

The investee company is an integrated insurance company and hospital chain. The integration can remove some adverse incentives. The hospital is a cost centre with an objective to minimise costs through a combination of efficiency with strict, proven protocols, and preventive treatments. Under this integrated model, consumers visit a local hospital with the relevant specialisation, and are seen by the next available doctor.

Although consumers see this integrated model as a good value-for-money model, some are concerned that it may not be possible to see doctors that have treated them previously, interrupting what they see as continuity of care and leading to suboptimal outcomes. Consumers told Trinetra during Immersions studies that they are sometimes happy to wait longer to see a doctor whom they have previously seen, as they believe that this will lead to better health outcomes. This is particularly important to them when it comes to the care of their kids.



Trinetra engaged with the investee company management to discuss potential solutions that might address this issue. Patients currently book appointments through an app, which was created to replicate physical visits, typically to a nearby hospital but would only allocate them to the next available doctor with an appropriate specialisation. During the discussion, management agreed to investigate whether it could be possible to amend the app such that a patient would be able to choose specific doctors, as well as specialisation, location and timing.

Trinetra believes that this change, if enacted, would make this value-for-money option insurance product more attractive for uninsured people, giving them access to quality healthcare and relieving some pressure from the already overstretched public healthcare systems.

### **Case Study 2: Understanding the social issues faced by lower income consumers to help with active engagement**

In December 2022, as part of an ethnographic study in India, Trinetra tried to understand the social needs of the rural demographic that is willing to uproot themselves to provide a better future for their families.

Trinetra believes that this group, which it refers to as “India 3” will be critical if the country is to deliver its demographic promise. But because of its low current spending capacity, the group is largely ignored by many investee companies who instead focus on the two groups referred to as “India 1” and “India 2”.

The group of more westward-facing and affluent city dwellers are referred to as “India 1”. They speak English with many of their friends, are global citizens, and expect India to copy the west as it develops. The “India 2” comprises the aspirant masses, many of whom are children of migrants who moved from rural areas to cities to participate in India’s progress. They are the first generation from their families to get white collar jobs, and are establishing themselves on the property ladder. Their values focus on achievement and sharing their success with their families.

But a big engine of potential demographic growth lies outside these two groups, living in rural areas, which we refer to as “India 3”. According to the World Bank, rural inhabitants represent about 65% of India’s population. These consumers historically had little purchasing power, and most of what they spent was on FMCGs (fast-moving consumer goods). Even as migrants, their focus wasn’t on consumption, but was to save as much as possible to send to their families who were still living in rural areas.

Understanding the aspirations of “India 3” was part of the December 2022 Immersions study. Trinetra studied migrants in cities in Goa, Karnataka and Maharashtra. The team spent five days at a coffee plantation near the hill station of Chikkanagaluru in rural Karnataka to study migrants from poorer rural areas such as Madhya Pradesh, picking coffee with them, sharing meals and trying to understand the social issues that they face, and the solutions that they see to their own problems.

People in “India 3” see their lives as playing out in two chapters. In the first chapter, work in blue collar jobs allows them to save money and “upgrade” themselves. By “upgrade” they mean improving skills, the way that they dress, the cosmetic products that they use. Many believe that this “upgraded” self can become an entrepreneur.

Trinetra plans to use insights gained from these consumers to engage with Indian portfolio companies in 2023, in particular the three positions in financial institutions on financial inclusion, and a hospital group on access to healthcare for “India 3.” Ahead of this study Trinetra engaged with a health insurance company with a view to considering it for investment. However, an insight from the Immersions study was that lower income consumers fail to see

the value of insurance, and are unable to differentiate between different company's products. The majority of those who purchased it, had done so through a broker, and did not understand what it covered and when they could use it.

### **Ethnographic Consulting firms support the integration of stewardship and investment**

To be able to meet consumers in their homes, Trinetra works closely with ethnographic research consultants, who recruit subjects for its Immersions studies and facilitate the discussions. Under Principle 8, more detail is provided on the services that they provide.

In 2022, Trinetra conducted two such ethnographic studies. Trinetra generally begins the planning process six months ahead of a study. At that stage, Trinetra presents to the local ethnographer 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 respective market and will also bring to Trinetra's attention any other ESG issues that their on-the-ground ethnographers believe to be relevant.

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

In starting to work with ethnographers months ahead of the study, and providing continuous feedback, Trinetra ensures that the ethnographic research firms understand clear and actionable selection criteria. By effectively communicating the criteria and helping ethnographers to understand Trinetra's objectives, they are able to help the team to adapt to most unforeseen issues that may arise during Immersions studies in the field.

## **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 risk scores, analogous to beta, seek to risk-adjust the expected Internal Rate of Returns (IRRs) for companies by adjusting the cost of capital. 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 are given higher risk scores, and so offer lower risk-adjusted returns, which results in reduced position sizing in the portfolio, outright sale, or no purchase at all.

### **Pre-mortem analysis**

Trinetra fine-tunes an analyst's risk score in a process that it calls "pre-mortem." This involves imaginatively projecting themselves 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 a more realistic perspective to a theoretical, future

event. Each risk and their scores are then discussed by the team, using a large wall chart or interactive feedback tools to aid visualisation of the probability and materiality of each risk. The objective is to bring to bear different experiences and knowledge of the analyst team members in a collaborative process that seeks to eradicate analyst bias.

Trinetra considers 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. Trinetra analyses and evaluates 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.

Trinetra invests in companies that directly benefit from the rise in domestic consumption and for which it believes domestic consumption is the main driver of investment returns. While the firm does not maintain a specific exclusion list, Trinetra does not invest in fossil fuel producers, extractive industries, utilities, upstream industrial manufacturers, or arms manufacturers, because these are outside of the scope of its Immersions research.

Similarly, Trinetra's Immersions research sees products through the eyes of EM consumers. Thus, Trinetra does not invest in activities which these consumers consider to be obstacles, for example, to improving their health and wellness, including gambling, alcohol or tobacco.

Each stock that is considered for investment undergoes a screening of quantitative ESG parameters using raw data extracted from Bloomberg. Under the EU Sustainable Finance Disclosure Regulation (SFDR) there are currently 31 measures in the Environmental section, 9 of which are mandatory, relating to Scope 1, 2 and 3 emissions, water usage and hazardous waste. There are 5 mandatory measures in the Social section, including gender pay gap and number of women on the Board. There are 24 social and governance indicators which are optional and relate to confirmation of policies including Health & Safety, Child Labour, Whistleblowing, Human Rights, and Pay Ratio. The measures in Governance include levels of board and committee independence, tenure details, and measures on "overboarding" by directors and the chair.

An issue for Trinetra is that it focuses on Emerging Markets, and therefore most of the investee companies in its portfolio are not EU domiciled and not familiar nor required to comply with the EU Taxonomy Regulation or the incoming SFDR. Trinetra contacted all investee companies in its portfolio during the reporting year, highlighting the information required by SFDR as well as the gaps to complete disclosure. Trinetra also engaged with a number of these companies to increase their awareness of the regulation.



*Migrant worker at coffee plantation, Karnataka, India*



Based on the investee companies that have reported their Scope 1 and Scope 2 emissions for Trinetra's portfolio (88% based on portfolio weight), Carbon Intensity was 65 tCO<sub>2</sub>e per USD 1 million invested. Although the Fund is benchmark agnostic, this compares favourably with such measures for wider indices, which generally assume investment in sectors where companies can be very significant carbon emitters such as energy and materials. For example, according to fossilfreefunds.org, Carbon Intensity for the iShares MSCI Emerging Markets ETF for 2022 was 315 tCO<sub>2</sub>e per USD 1 million invested, 210 tCO<sub>2</sub>e for the iShares MSCI ACWI ex US ETF, and 176 tCO<sub>2</sub>e for the iShares Russell 2000 ETF.

Trinetra intends to continue engaging and working together with investee companies to improve the accessibility of ESG-related data.

In alignment with a core tenet of focusing on social issues, Trinetra expects its portfolio to have a positive impact by addressing the social imbalances in the world through putting capital behind the companies that seek to solve challenges for Emerging Markets consumers. Trinetra believes 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 impact that access to certain products



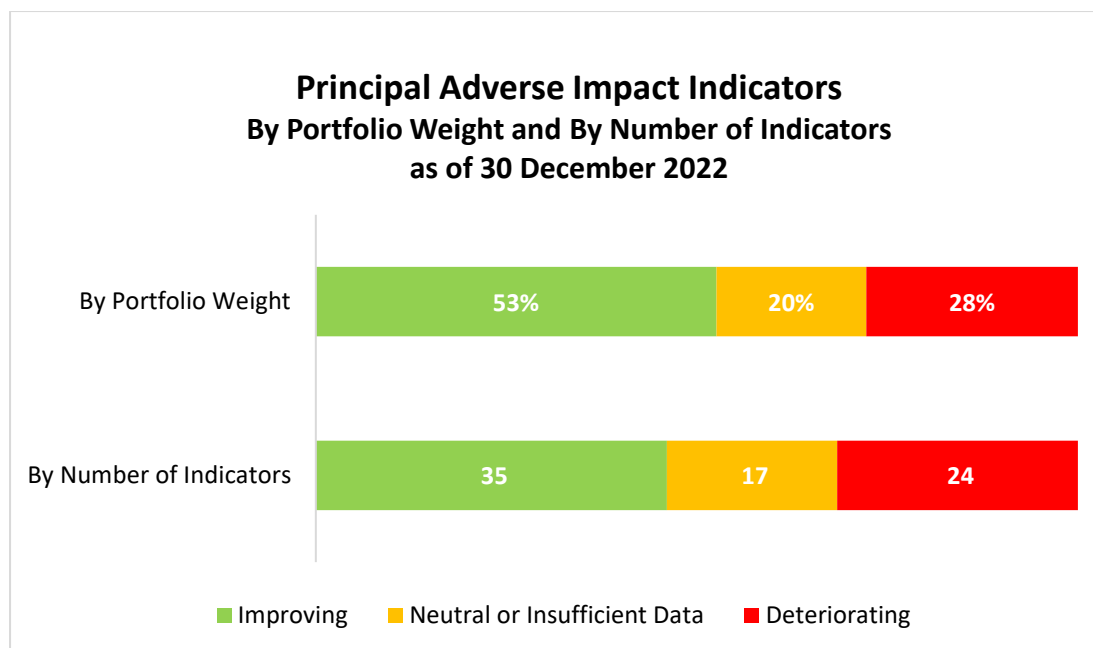
*Study of impact of fintech on entrepreneur São Paulo, Brazil*

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.

## **Integration of stewardship and investment: Monitoring critical ESG issues**







Trinetra uses SDGs to map what it considers as principal adverse impacts, e.g., the most critical ESG issues, specific to each investment. On 30 December 2022, there were 76 sustainability indicators relating to adverse impacts from the different portfolio holdings that had been mapped to different SDGs.





The chart below summarises the overall performance of the principal adverse impact indicators in two ways – the performance based on the indicators unweighted by the portfolio positions to which they related to; and performance weighted by the size of the position.



Overall, 53% of the principal adverse impact indicators by portfolio weight improved, 28% deteriorated and 20% were neutral or did not have prior year comparable information.

The table below shows the performance of the sustainability indicators by SDG:

SDG		Portfolio Weight	Improving	Neutral	Deteriorating
3: Good Health and Well-Being for People		0.64%		1	
4: Quality Education		0.80%		1	
5: Gender Equality		0.73%		1	
6: Clean Water and Sanitation		6.96%	3	1	3
7: Affordable and Clean Energy		4.35%		3	
9: Industry, Innovation, and Infrastructure		0.98%	1	2	

11: Sustainable Cities and Communities		2.87%	1	1	
12: Responsible Consumption and Production		80.98%	28	7	21
14: Life Below Water		0.81%	1		
15: Life on Land		0.88%	1		
Total		100.00%	35	17	24

The deteriorating principal adverse impact indicators relate to two SDGs:

1. **SDG 6: Clean Water and Sanitation:** The indicators relate to the sustainable management and efficient use of resources, primarily water consumption intensity, which deteriorated for some companies. The investment manager believes that this is because of distortions due to the COVID-19 pandemic. For example, Alsea, a Latin American restaurant chain, saw its water consumption per unit of revenue deteriorate. However, in the prior year many of its restaurants had been operating primarily for deliveries only. Taking that into consideration, the current year performance nonetheless represents an improvement relative to pre-pandemic levels.
2. **SDG 12: Responsible Consumption and Production:** The indicators relate to the sustainable management and efficient use of resources, primarily carbon intensity. Although carbon intensity appears to have deteriorated for some companies, this is often a consequence of the return to more normalised operations after the COVID-19 pandemic.

## Active Engagement and Escalation

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

Unlike 2021, in 2022 Trinetra did not have to downsize or exit a position because of its engagement activities.



Trinetra engages with management over its assessment of the risks that their companies 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.

In the event that an issue has not been adequately dealt with by management, Trinetra will consider escalating the matter by addressing it more formally, including with the chair or with other members of the senior management team. Trinetra may express its concerns through voting against the appointment of certain directors, or against other proposals, and writing to explain its voting actions, in accordance with the Engagement Policy, which is available here <https://www.trinetra-im.com/responsible-investing>.

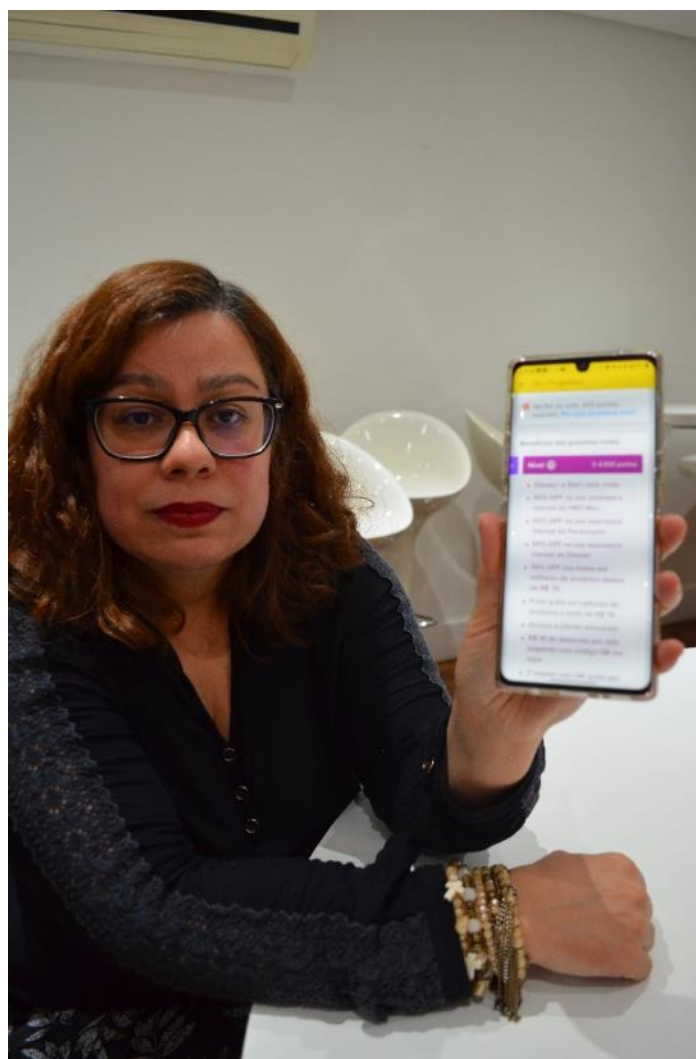
## Voting

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.

The analysts are expected to check the information ISS used to draw their conclusions back to the original documents. For example, with respect to the proxy vote for a Brazilian pharmacy chain, Trinetra's analyst brought to the company's attention the fact that incorrect information had been used in the ISS research. The company contacted ISS, and ISS duly amended its report and recommendation.

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.



*Study of Brazilian eCommerce user, São Paulo, Brazil*

An overarching principle when voting is that management's interests need to be aligned with those of their company's shareholders. Moreover, in line with its own commitment as a Certified B Corporation, Trinetra believes that management's interests need 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.

Trinetra feels that there is room to improve when it comes to the AGAINST recommendations from ISS on occasions where publicly available information is not easily accessible. In 2023, Trinetra intends to seek to engage directly with companies over all AGAINST votes, to check whether the information given is correct, or if ISS needs to be informed so they can change their recommendation. If the ISS AGAINST recommendation is valid, Trinetra would agree with management the steps they would take to change it, and the time frame for doing so.

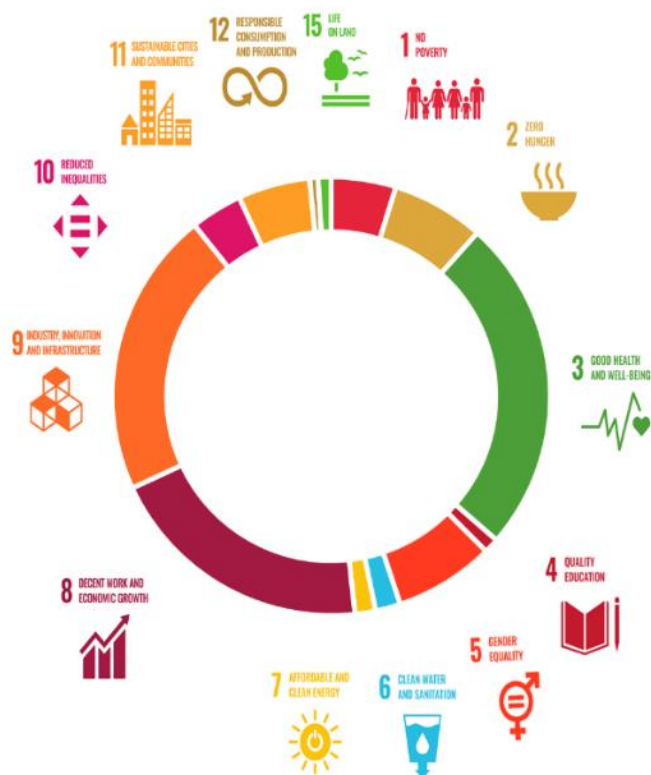
## UN Sustainable Development Goals

Trinetra maps each stock to at least one of the 17 UN SDGs, and up to a maximum of 3, that relate to the investment case for owning the specific company. For each SDG, the analyst takes at least one relevant measurable parameter that can be tracked over multiple years. When engaging with management, Trinetra highlights the specific parameter and stresses its importance as a measure of the company's sustainability.

Trinetra maps its ESG indicators such that they are consistent with the Sustainable Development Investments (SDI) taxonomy. The SDI taxonomy was developed by a group of asset owners to classify and standardise a company's products and services as they relate to contribution towards an SDG. This should facilitate comparison with other financial products held by Trinetra's clients.

The chart here shows Trinetra's portfolio holdings broken down by SDG as of 30 December 2022.

### Portfolio by SDG as at 30 December 2022



Source: Trinetra

To measure progress towards the SDG, each investment is tracked against up to three impact indicators. These sustainability indicators are measured as either “improving,” “neutral/insufficient data” or “deteriorating” compared to the prior reporting period.











On 30 December 2022, there were 77 sustainability indicators from the different portfolio holdings that had been mapped to different SDGs.

The chart below summarises the overall performance of the sustainability indicators in two ways: their performance weighted by the size of the position; and the performance based on the indicators unweighted by the portfolio position to which they relate.




The performance is broken down into three categories:

- **Improving:** 82% of the indicators based on portfolio weight
- **Neutral or insufficient data (when the companies have not provided prior year data):** 16% of indicators based on portfolio weight
- **Deteriorating:** 2% of indicators based on portfolio weight

The table below shows the performance of the sustainability indicators by SDG:

SDG		Portfolio Weight	Improving	Neutral	Deteriorating
1: No Poverty		4.77%	4	2	
2: Zero Hunger		6.84%	1	4	
3: Good Health and Well-Being for People		24.79%	14	3	1
4: Quality Education		1.10%	2		
5: Gender Equality		7.40%	4	1	1
6: Clean Water and Sanitation		1.85%	1		
7: Affordable and Clean Energy		1.52%	2		
8: Decent Work and Economic Growth		19.85%	9	3	
9: Industry, Innovation, and Infrastructure		21.15%	12		
10: Reducing Inequalities		3.83%	3		



11: Sustainable Cities and Communities		5.32%	3	4	
12: Responsible Consumption and Production		0.62%	1		
15: Life on Land		0.96%	2		
Total		100.00%	58	17	2

Source: Trinetra

Analysis of the performance figures in this section shows improvement in indicators for some companies because of a low base set by distortions driven by COVID-19 in the prior year. For example, all health indicators mapped to SDG 3 for Apollo Hospitals showed improvement. However, almost 60% of the indicators are still below their pre-pandemic levels.

There were two deteriorating indicators which relate to two SDGs:

- **SDG 3: Good Health and Well-Being for People:** One of the indicators used for Aspen, a pharmaceutical company, is the number of new product launches which dropped from 57 in 2021 to 56 in 2022. This is a marginal reduction in a year when the company was focusing much attention on production of COVID-19 vaccines for Africa.
- **SDG 5: Gender Equality:** The proportion of women in managerial positions in Japan working for Unicharm dropped from 14.7% to 14.4%. However, the long-term trend is still intact having risen gradually from 10.0% in 2016. Management’s target is to reach 30% including their international operations by 2030.

Trinetra’s engagement priorities are outlined in more detail under Principle 9.

## Outcomes

As described in detail in the five stages of ESG integration in Trinetra’s investment process, stewardships sits at its core and information gathered during the application of this process defines all investment decisions.

As described in Principle 6, Trinetra’s clients are mainly institutional investors, who approach stewardship with diligence and sophistication. This is reflected in clear guidelines, restrictions and obligations defined in the investment mandates (usually as part of an Investment Management Agreement) that govern Trinetra’s investment management services.

Based in feedback received from its clients, Trinetra is confident that its application of stewardship serves the best interest of its clients and beneficiaries, as highlighted in the Case Studies.

# Principle 8

## Monitoring managers and service providers

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

Trinetra has an integrated team that works on all aspects of its stewardship and engagement activities. The research team members complete a risk profile for every investment, using data collected from:

- Company publications, such as quarterly, annual and sustainability reports;
- Governance and proxy research providers;
- Ethnographic research firms that facilitate Trinetra's studies in consumers' homes, which help the team understand the impact that the products and services Trinetra invests in have in the consumers' lives; and
- Sell side research.

Trinetra does not use sustainability ratings from sustainability data providers. Trinetra believes 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 even credibility, something that has been described in detail in academic literature<sup>1</sup>. It underlines weaknesses in processes that involve 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 "apples and oranges" comparisons.



*Multigenerational study: Studying shift in values between father and son living within a household, Mangalore, India*

<sup>1</sup> Lucie Gyönyöröová, 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

Trinetra does not believe that responsibility for this research should be outsourced. Trinetra believes the data should be analysed and discussed with 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 uses that as the basis for their decisions. It is therefore the analyst's 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, Trinetra does 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 any issues into the company risk assessment, and undertaking further active engagement to understand how the company mitigates this risk. Trinetra will not include in its investible universe any company for which the investment team cannot gain a clear understanding of and quantify its ESG risks, and it is each analyst's responsibility to ensure they have gathered the relevant data to complete this assessment.

## Review of Suppliers

The companies Trinetra uses for certain services are detailed below:

### International Shareholder Services (ISS)



*Study of impact of eCommerce platform and digital payments on Brazilian entrepreneur, Salvador, Brazil*

ISS provides Trinetra with independent corporate governance reports and voting recommendations, in accordance with its policy, ahead of votable meetings. Analysts use the reports for informational purposes only, since 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, in December 2022, ISS recommended voting against the approval of a pharmaceutical company's Remuneration Implementation Report, on the basis that there had been no compelling rationale for the adjustment upwards of the performance achievement for the annual bonus and half of Long Term Incentive awards.

Management decided to retain raw material inventory for the manufacture of life-saving COVID vaccines, negatively impacting the ability to achieve Free Cash Flow targets. This, Trinetra believes, was on balance the correct decision for shareholders and for potential recipients of the vaccines.

In Trinetra's monthly letter to investors, the rationale is disclosed for cases where it has voted against management or abstained, as well as any instances where it has voted against the ISS recommendation.

The Executive Committee is responsible for oversight of this service. Before the renewal of Trinetra's annual contract with ISS, the service offering is discussed to ensure that it remains cost effective and meets the standard of service expected.

Trinetra 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 the team to make decisions with respect to Trinetra's proxy voting obligations. The voting recommendations themselves were nearly always consistent with a reasonable interpretation of the facts, even if Trinetra 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.

Trinetra is 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. Trinetra is satisfied with their standard of service and continued to subscribe to their service in 2023.

## **Bloomberg**

### **Bloomberg AIM**

Trinetra uses Bloomberg AIM as its Order Management System/Portfolio Management System where it codes pre-compliance checks that help to ensure that the various limits that are required by its clients are not breached. Trinetra finds the AIM support team to be extremely responsive and have been assisted during negotiations with prospective clients to ensure that all the requested rules can be programmed without the need to rely on manual processes.

### **Bloomberg Terminal**

Portfolio analytics: Trinetra uses portfolio analytics from Bloomberg for its clients' reporting requirements. The current service is sufficient for the needs of Trinetra's existing clients, but a new service in this area is available which Trinetra will consider if its clients' requirements change.

### **Raw ESG data**

Trinetra sources company-level ESG data from Bloomberg, which is incorporated into its ESG risk assessment. The team checks the quality/accuracy of the data by cross referencing

against what the company reported. For example, Trinetra reconciles company reported greenhouse gas emissions against those provided by Bloomberg. As described under Principle 7, Trinetra uses the data in its risk assessments.

### **Company news flow and reporting**

Trinetra also uses Bloomberg as a global news provider for its investible universe. As well as relying on companies' own websites, investor relations websites and emails, Trinetra uses Bloomberg to further monitor company releases, upcoming reporting schedules, details for management calls and transcripts.

Trinetra conducts two-yearly reviews covering the entire scope of the Bloomberg offering, including both the AIM and Terminal Relationships. Trinetra is satisfied with the service levels of both products and intends to continue partnering with them. The Executive Committee reassessed this relationship in late 2022 and it decided to renew the contract for the following 2-year period.



*Studying changing attitudes to health and wellness post COVID*

## **Ethnographic Research firms**

### **Trinetra uses the services of ethnographic research firms on the ground in Emerging Markets to:**

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

In 2022, post COVID-19, Trinetra completed two physical ethnographic studies, one in Brazil and one in India. Trinetra is satisfied with the service provided by ethnographic research providers like Third Eye, and in how innovation enhances the value of their services, including from how they adapt to hurdles encountered in the field.

## **Brokers' sell side research**

In some Emerging Markets countries, local brokers that Trinetra uses for trading securities also provide access to their research. The primary use of this research for Trinetra is to help to

understand what is priced in by local market participants. Trinetra does not take into account any of the sell side analysts' recommendations. Trinetra assesses the value of the research by subtracting the notional execution-only global broker's costs from the local broker's costs. This is the implied research cost. This cost is reported twice a year to clients. Trinetra reports the information in letters to investors and presents it to the board of the Trinetra UCITS ICAV, giving an opportunity to the independent directors to scrutinise the cost/benefit of the research services that Trinetra receives.

In 2022 Trinetra believes that access to the research justified the implied research cost, and the firm is satisfied with the service provided by its brokers.

## Summary Review

As well as a review of individual providers, the Executive Committee reviews the full scope of Trinetra's operations and focuses on identifying areas that might benefit from additional services.

Trinetra prioritises suppliers that prove to have and apply diversity and equality policies and which have a positive social impact in their local communities when providing their services. For example, for the ethnographic research firms that Trinetra engages for its research in emerging markets, Trinetra has a requirement that a majority of the resources involved in the work are provided by women and by people from the bottom of the pyramid.

When selecting suppliers for a relatively standardised service, Trinetra also looks to engage firms that have an environmental program or are involved in social initiatives (local and/or global), for example, companies that are, or have tangible plans to become, carbon neutral or carbon negative.



*Preparing coffee beans picked during the day for weighting*



# Principle 9

## Engagement

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

Companies frequently view their world through the lens of their existing operations. Immersions research makes it possible for Trinetra to provide companies with an independent view on how trends are evolving, and how well they are positioned to capture those trends.

Trinetra believes that such engagement enables it to communicate the social and environmental issues that consumers are facing, and how companies can address their needs. When companies offer what consumers want and address their concerns, they not only drive better returns, but they also tend to improve environmental and social outcomes.



*Studying consumption patterns of heavy eCommerce users in Brazil*

As part of these engagements, Trinetra tries to understand the processes that managements have in place to monitor their

risks, as well as the risks that they view as having the greatest likelihood of occurrence and the greatest materiality should they occur. This also helps in Trinetra's own risk assessment process, allowing it to identify any mitigating controls that managements have put in place.

Trinetra runs 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 Trinetra will use the most appropriate engagement approach. Trinetra invests in 15-20 geographic markets at any given time, so it adapts its approach to escalation in each geography according to local laws and conventions. ISS policies that are adapted for each market assist Trinetra in this process. Trinetra also adapts its geographic approach to escalation based on its appreciation of the cultural norms and sensitivities as Trinetra understands them.

When Trinetra decides to engage with a company management, it considers various means of communication including letters, emails, voice and video calls, and face-to-face meetings. As also mentioned above, Trinetra's engagement often revolves around the insights that it gains from its 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

Trinetra tries to prioritise the most pressing social and environmental issues in each market. Trinetra identifies those through:

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

Trinetra found that the easiest way to engage with management on social issues is by presenting the issue through the eyes of each of the five groups on which Trinetra focuses in Immersions research. These are the groups that Trinetra believes are seeing the biggest changes in their consumption patterns:

- People at the bottom of the pyramid
- Women
- Migrants
- Youth
- Older adults extending their working lives

As explained under Principle 6, Trinetra communicates the items above to its clients and seeks feedback on what they see as most important to address their needs and goals.

To drive consistent change across investee companies, team members discuss their engagement priorities and agree common overall engagement priorities. These priorities are assessed regularly and allow for flexibility to address individual issues with companies.

For 2022 the engagement priorities of the team included:

- **Importance of a forward-looking board**

*Trinetra believes that the issue of the diversity should go beyond gender and racial diversity, and should consider cognitive diversity, which relates to the skillsets and backgrounds of board members, which can help the board to navigate forward-looking challenges.*

- **Access to affordable medication in Emerging Markets**

During its Immersions research in Emerging Markets, Trinetra regularly hears stories from people about loved ones lost to a disease that would often be curable in the developed world, and could routinely be cured in Emerging Markets with access to affordable and effective medicines. See Principle 10 on the collaboration with the Access to Medicine Foundation.

- **Risk management**

Trinetra aims to educate companies in the use of the “pre-mortem” method for the assessment of risks that their business face and to help them to be better prepared to manage and mitigate them.

- **Education on Taxonomy, SFDR and other RI/sustainability regulations**

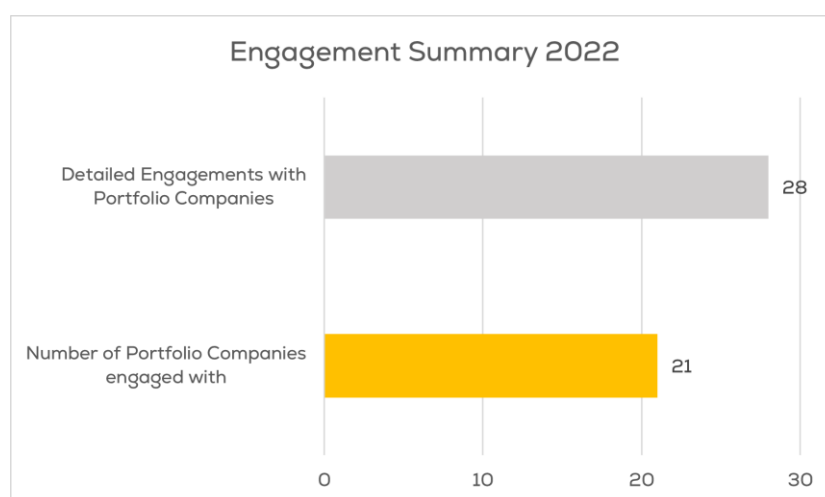
Trinetra engaged with investee companies to ensure that they understood and were prepared to provide the data required for disclosures under the EU

Taxonomy and SFDR regulations, designed to meet the EU's climate and energy targets for 2030 and the objectives of the European Green Deal.

- **Executive remuneration linked to impact**  
Trinetra believes that it is important for executive teams to be genuinely incentivised to act responsibly, and that the remuneration should be linked to impact.
- **Circular economy**  
The circular economy is a model of production and consumption which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as much as possible.

## Engagements in 2022

The chart below summarises Trinetra's 2022 engagements with portfolio companies.



Source: Trinetra

Trinetra conducted 28 detailed engagements with 21 different companies held in our portfolio during 2022.

Trinetra added a company to its portfolio holdings during the year following a series of meetings which included engagement on a number of ESG issues, including how their products can improve the self-esteem and wellbeing of consumers. This company was not counted among the meetings displayed in the chart above since Trinetra did not hold the position at the time of the meetings.

Including this company, the companies with which Trinetra engaged during 2022 represented 40% of the portfolio's value as at 30 December 2022.

Trinetra also held calls with ethnographers, policy experts and academics to understand the courses of action open to companies such as Board Diversity, Regulation, Equality and Climate Change.

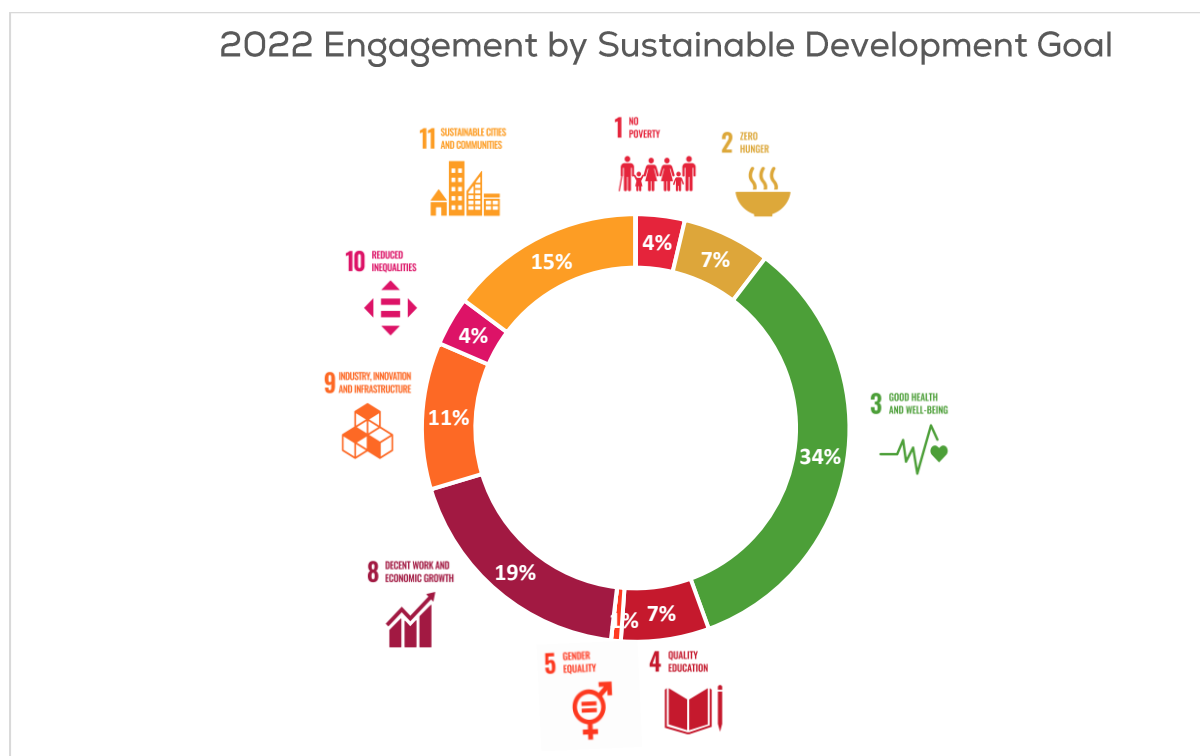
### Engagement by SDG

In line with Trinetra's purpose and mission, as outlined in principle 1, Trinetra seeks to have a positive impact on the communities in which its portfolio companies are operational, by

investing in companies that can provide solutions to the issues identified during its Immersions studies.

As described in Principle 7, Trinetra’s investment process includes the mapping of each stock to at least one SDG that relates to the investment case for owning the specific security. This provides alignment with the way Trinetra’s clients, fund beneficiaries and stakeholders look at the issues on which Trinetra engages with companies, and aims to meet clients’ needs and reporting requirements, as explained in more detail under Principle 6.

The chart below shows how Trinetra mapped its engagement with companies in 2022 to each relevant SDG.



Source: Trinetra

## Case Studies

The team’s engagement activity included:

- **Forward-looking Boards**

Trinetra believes that many boards bring senior independent directors from other industries or the accounting profession because they are well known. The primary consideration is often to manage reputational risk and to give reassurance to investors as to the integrity of the financial reporting of the company. In addition to critical backward-looking scrutiny of the business and its functions, Trinetra believes that it is at least as important for the board to set strategy and to ensure that the company has the right culture in place to deliver that strategy.

This is even more critical when a company changes strategic direction. The strategy of a pharmaceutical company in which Trinetra invests has turned towards vaccines, and more specifically towards providing affordable, accessible vaccines in Africa. Trinetra reviewed in detail the backgrounds of the independent board members and found that none had a



background in vaccines, and only one independent board member had extensive pharmaceutical experience.

Trinetra saw this as increasing the risk of successful implementation of the new strategy and took a two-pronged approach in its stewardship actions to manage this risk.

Firstly, Trinetra highlighted to the CEO and CFO (both Board members) that there was no independent board member that had the background to provide meaningful challenge and an independent view on the new strategic direction.

Management agreed that the Board should look to bring in someone with specific expertise in injectables and vaccines, who can open doors within the industry, and can help to formulate a strategy that can accelerate growth.

Trinetra will continue to monitor for evidence that this risk is being addressed by the Board.

- **Executive remuneration linked to access metrics**

Linked to the engagement mentioned above, secondly, Trinetra collaboratively engaged, alongside other investors, to aim to link access to vaccines with executive remuneration practices for vaccine producers. Trinetra believes that this engagement can work towards improving access to much-needed vaccines in Emerging Markets, where they are currently out of reach for many people. Trinetra took the lead in engaging with its investee company, and 15 other investors and pension plans co-signed the letter. Trinetra similarly co-signed letters to 9 other companies.

The Chair of the Remuneration committee of Trinetra's investee company agreed to engage on this matter after the Remuneration Review for 2022 was published, as they felt various points would be addressed in it.

Trinetra will continue to engage with the company on this matter, with calls organised during 2023.

- **SFDR and EU Taxonomy disclosure**

Some Emerging Markets companies in which Trinetra invests fall into sectors that are within the scope of EU Taxonomy Regulation. However, most of the investee companies in Trinetra's portfolio are not EU domiciled and therefore not familiar with nor required to comply with these EU regulations.

The team produced information materials that summarise the background and purpose of the new regulations, as well as related reporting requirements. Trinetra concurrently encouraged them to provide the relevant information in a transparent way.

During the reporting period, Trinetra wrote to each investee company regarding upcoming SFDR disclosure requirements and provided specific guidance on EU Taxonomy to three companies that expressed an interest in receiving it.

While the majority of Trinetra's investee companies were not familiar with these regulations, many subsequently provided the information requested and some confirmed that they intended to produce certain ESG related data going forward.

It is Trinetra's intention to continue to engage with its investee companies, encouraging them to implement or enhance processes in relation to ESG reporting. As well as raising awareness of new emerging regulation, Trinetra believes that its engagement activities in this regard will help Emerging Markets companies with their own ESG journeys.

# Principle 10

## Collaboration

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

Trinetra conducts ethnographic research to understand consumer trends and selects companies which can benefit from capturing those trends. It aims to act as a team of consultants to the companies in which it invests. Trinetra seeks to join collaborative initiatives when they are aligned with the work that it does, when team members can add value to, or learn from, the initiative, and when such collaboration enhances value to its clients and beneficiaries.

Before establishing a position, Trinetra aims to engage with a company to understand management's perception of the investment trends and the strength of their internal risk assessment processes. Trinetra will not invest in companies that do not provide the detailed information that it requires for its assessment.

### Collaboration through PRI



*Studying changing eating habits because of higher inflation, Brazil*

Since 2017, Trinetra has been a signatory to the UN Principles for Responsible Investment (PRI), which promotes sustainable investment practices through incorporating environmental, social and governance factors into investment processes. The membership provides Trinetra with a globally-recognised standard against which it can benchmark its own internal assessment of the integration and scope of ESG factors in its investment process and decisions. The assessment helps identify areas of improvement. In the 2020 assessment, Trinetra scored A in each of the 3 modules on the scorecard. In the 2021 assessment, with the new scoring methodology, Trinetra scored 5 stars (the highest possible) in all modules for which it was assessed and received the highest possible marks for 62 out of 65 indicators.

The PRI also provides opportunities to engage with policymakers via participation in consultations, for instance when governmental bodies want to understand how regulatory changes and/or proposals for enhancement of supervision, transparency and accountability would affect market participants.

Another valuable benefit of PRI membership is the collaboration platform which provides insights into specific challenges and issues, where collaborative engagement could bring about positive outcomes in line with Trinetra's environmental and social objectives. The team found this platform to be a powerful tool to promote change in areas that are important to Emerging Markets consumers, such as circular economy or healthcare.

For example, in 2021 the PRI shone a light on the issue of Human Rights, and Trinetra signed up to participate in a new collaborative stewardship initiative on social issues and human rights which launched in December 2022. Ahead of any guidelines that will come out of this initiative, Trinetra enhanced its ability to capture human rights risks within its portfolio companies, including considering whether an investee company has a human rights policy. As of the end of 2022, 72% of the portfolio companies had such a policy.

In 2022, Trinetra directly supported the PRI by participating in the global signatory consultation to explore key issues for the future of responsible investment, the value that the PRI provides to signatories, and the PRI's vision, mission and purpose. The consultation results will be collated and reported on during 2023. Trinetra also used its ballot on the AGM, although the 2-year appointment term meant that there was no selection for Board members to represent Investment Managers in 2022.

Trinetra believes that participation in these initiatives is crucial to ensure that the 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.

## **Collaboration with the pharmaceutical sector**

During its Immersions research in Emerging Markets, Trinetra regularly hears stories from people about loved ones lost to a disease that is often curable in the developed world, and could be routinely cured in Emerging Markets with access to affordable and effective pharmaceuticals. With limited access to COVID-19 vaccines in Emerging Markets, this has become an even more critical issue.

Since 2020, Trinetra has endorsed the Access to Medicine Foundation (ATM), which encourages and guides pharmaceutical companies to do more for people living in low- and middle-income countries without access to medicine. The ATM index is a tool for driving change in the pharmaceutical industry. It identifies best practice, tracks progress, and shows where critical action is needed to improve access to medicine for those on low incomes. The ATM index follows 20 major pharmaceutical companies. The group includes none of Trinetra's investee companies. Trinetra's engagement agenda for pharmaceutical companies therefore includes a discussion item on access to vaccines and medicines within their business models. Trinetra also discusses the extent to which executive remuneration metrics relate to accessible medicines. Trinetra further encourages joining the ATM and using the ATM index as a source of guidance on best practices.

In the last two years, Trinetra has started to see how smaller pharmaceutical companies are starting to implement changes in their operations, following the best practices promoted by the ATM index. Trinetra has also noticed an increase in agreements that allow local smaller pharmaceutical companies to produce medicines more cost-effectively, contributing to improved access to medicines and to positive impact towards SDG 3.

For example, one of Trinetra's investee companies announced in August 2022 that one of its wholly owned South African subsidiaries concluded a ten-year agreement with the world's largest vaccine producer to manufacture, market and distribute four branded routine vaccines in Africa.

Additionally, the company also anticipates receiving grant funding from each of the Bill & Melinda Gates Foundation and the Coalition for Epidemic Preparedness Innovations ("CEPI") to support African regional



*Convenience store Bahia, Brazil – Source: Trinetra*

manufacturing capacity for an affordable supply of vaccines to, among others, African countries and Gavi/UNICEF, as well as contributing to pandemic preparedness, through a share of the company's vaccine manufacturing capacity over a period of ten years.

In 2021, Trinetra joined, via the PRI, an engagement initiative with the four major pharmaceutical companies that are vaccine producers with the aim of promoting the linkage of vaccine access to executive remuneration practices. This constituted part of Trinetra's efforts to improve the flow of COVID-19 vaccines to Emerging Markets. Each of the four companies agreed to start assessing how to incorporate medicine and vaccine access as a metric in their remuneration models. Through engagement with the major vaccine producers over the last 2 years, the investor group has gained a good understanding of the barriers that pharmaceutical companies face with respect to making the hoped-for changes to their remuneration policies. As a result, in 2022 a new engagement with a wider group of pharmaceutical companies (now 12) was initiated to request the linking of specific access metrics to executive remuneration. As a member of the initiative, Trinetra proposed the inclusion of its investee company in the engagement, which Trinetra has been leading.

In October 2022, Trinetra sent a letter, on behalf of the investor group, to the pharmaceutical company, which was received by the Chair of the Remuneration & Nominations Committee. The Chair of the Committee pointed Trinetra to their 2022 Integrated Report, which addresses some of the items in the letter, such as the inclusion of access to medicine as a key ESG performance measure in the group Key Performance Areas and in their executive Long Term Incentives KPIs. Although the report shows a high-level commitment to the inclusion of KPIs, there are no specific metrics that indicate the level of impact that these new measures could have. This is a good start but there is further improvement needed in this area and Trinetra has agreed to meet with the Remuneration & Nominations Committee Chair to discuss the details of this focus area in 2023.

Both initiatives above are aligned with Trinetra's core beliefs and contribute to SDG 3. They could address market inefficiencies with potential for significant positive impact.



## Collaboration with OICD

Trinetra started working in 2021 with OICD (Organisation for Identity and Cultural Development), a not-for-profit that seeks to ethically and intelligently repair identity-based divisions through real world educational activities and interventions. Trinetra's Managing Partner became a member of the Advisory Board of the OICD in 2021.

In 2022, with the Russian invasion of Ukraine, a big large part of the work with OICD prioritised research on the conflict. In any conflict, a critical element involves the aggressors creating an "us" and "them" narrative that dehumanises the opposition and makes their actions palatable to their people. The research initiative was an ethnographic analysis of Russian propaganda which helps anticipate how geopolitical events might evolve. According to this research, the conflict narrative in Russia has been increasing since 2014 at a steady rate which should have acted as a signal that the risk of further escalation/war was being prepared. Until the end of the year, the propaganda narrative had not changed, which might indicate that the Russian people were not being prepared for peace.

At the request of one of Trinetra's clients, OICD and Trinetra collaborated in using the same ethnographic techniques to analyse the speeches from the National Congresses of the Chinese Communist Party over the past 20 years to look for evidence of increased conflict narrative. According to anthropological analysis, if China is preparing for an invasion of Taiwan the conflict narrative from the government should start years head in order to prepare the people so that they would support such action despite the hardship it would bring them. The early results of this analysis showed no increased in the conflict narrative from the Chinese Communist Party, which would highlight that the conflict risk is not imminent.

## Task Force on Climate-related Financial Disclosures (TCFD)

Trinetra is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and is working towards its climate-related reporting in line with its recommendations. Trinetra encourages the companies in which it invests to report in a way that is consistent with the TCFD recommendations. With the introduction of the EU Sustainable Finance Disclosure Regulation (SFDR), disclosures by investee companies are becoming more relevant. During 2022, Trinetra engaged with portfolio companies to inform them of the data they would need to provide, the underlying regulation, and why this is a valuable exercise for all parties involved, given that it will be an annual requirement for many investment vehicles and investment managers going forward. In addition, similar regulations are being implemented across all financial markets and, based on their investment strategy, investors may need access to such sustainability data in order to invest in these companies.

Trinetra believes that this process will allow investee companies to identify gaps in their processes and areas for improvement. These gaps might include: analysis of governance issues; changes in operation that can have an environmental positive impact; or the need for socially-focused policies. During the last quarter of 2022, Trinetra sent emails to all of its investee companies, detailing the specific data required. As at the date of this report, 49.4% of companies (on portfolio weighted basis) have responded, providing data and are actively engaging on this matter. Such action will provide more accurate information on the systemic risk of climate change and how companies are contributing to its mitigation.

## Other collaborations in 2022

- Trinetra joined the PRI collaborative stewardship initiative on social issues and human rights "Advance" as an endorser. It officially launched on 1 December 2022.

- Trinetra recognises the role that it can play as an investor in advancing human rights globally. Trinetra endorses this initiative, the objective of which is to advance human rights and positive outcomes for people through investor stewardship.
  - Trinetra is not currently in scope for Article 54 of the Modern Slavery Act 2015. However, it has chosen to implement an internal Modern Slavery Statement and is in the process of introducing a formal due diligence process regarding human rights in line with its commitments to social issues and human rights.
- Trinetra co-signed the 2022 Global Investor Agenda to Governments on the Climate Crisis, together with 604 other investors representing almost USD \$42 trillion in AUM.
  - The outcomes of COP26 in Glasgow, the findings of the IPCC 6<sup>th</sup> Assessment Report, and the energy security implications of the Russian invasion of Ukraine have thrown into stark relief the ongoing urgency of limiting the global temperature rise to 1.5°C above pre-industrial levels. They also highlight the need for an orderly global transition to a net-zero economy. The role of governments in putting in place clear, long-term and effective policies to support investment into climate resilience and mitigation remains critical if the world is to achieve these goals. The statement in 2022 steps up its ambition from previous years both in terms of the depth of emissions cuts and adaptation activities requested, and in the breadth of policy areas where action is recommended.
- Trinetra continued its support in the collaboration run by WWF and the Ellen MacArthur Foundation on a call for a UN treaty based on a circular economy approach to address plastic pollution on a global scale. Following the unanimous agreement in February 2022 for the adoption of a mandate for an International Negotiating Committee (INC) to develop a legally binding UN Treaty on Plastic Pollution, work has taken place to develop the Founding Document for the Business Coalition, which was officially launched during the UN General Assembly in New York. The development of the governance and ways of working of the coalition is well underway. Trinetra has joined as a Member, continuing to participate in surveys and webinars during the negotiations for the UN treaty.
- Trinetra participated in the research project commissioned by the FRC on the impact of proxy voting advisors and ESG rating agencies on actions and reporting by FTSE 350 companies on investor voting decisions.
- Following Trinetra's participation in 2021 in the consultation process for new proposed regulation by the SEC on climate change and ESG disclosure (linked to the International Financial Reporting Standards (IFRS) work on global climate reporting baselines), the SEC published the proposed regulation in March 2022, closely aligned to TCFD recommendations and to the standards promoted by IFRS. Trinetra joined a PRI collaboration to co-sign a letter asking the SEC to adopt the proposed climate disclosure rule and to not weaken it in any way, emphasizing the need for GHG emissions disclosure. The objective of this action is to signal to the SEC that there is investor support for the proposed climate disclosure rule.
- Trinetra joined the signing of an investor letter for the implementation of the EU Corporate Sustainability Due Diligence Directive (CSDD). The CSDD proposal introduces mandatory environmental and human rights due diligence for large financial and non-financial companies (both EU and non-EU), as well requirements on transition plans, executive remuneration and director's duties. This letter supports Trinetra's policy engagement to ensure an effective and ambitious final CSDD.

- Trinetra joined “Moving on nature together”, a statement from the Private Financial Sector to the UN Biodiversity COP15 held in December 2022 in Montreal. The statement, jointly drafted by the UNEP Finance Initiative (UNEP FI), the Principles for Responsible Investment (PRI), and the Finance for Biodiversity Foundation, commits financial institutions to contribute to the protection and restoration of biodiversity and ecosystems through financing activities and investments, while calling for the adoption of an ambitious Global Biodiversity Framework (GBF) that can be translated into effective actions and that provides the incentives and tools for the financial sector to support the halt and reversal of nature loss. A key outcome of COP15 was the adoption of the Kunming-Montreal Global Biodiversity Framework.
- Trinetra participated in the consultation for the governance and reporting of climate change risk in Local Government Pension Schemes (LGPS) in England and Wales. This consultation sought views on proposals to require LGPS administering authorities (AAs) in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).
  - It is proposed that LGPS administering authorities would calculate and report annually the carbon footprint of their assets and assess how the value of each fund’s assets or liabilities would be affected by different temperature rise scenarios, including the ambition to limit the global average temperature rise to below 2°C, which was set out in the Paris Agreement.
- In 2022 Trinetra again joined the Votes Against Slavery initiative to engage with non-compliant FTSE 350 companies who have failed to meet reporting requirements of section 54 of the Modern Slavery Act 2015. This initiative had great success with companies targeted in 2020. Using research provided by the Business and Human Rights Resource Centre, 61 FTSE 350 companies were identified as having failed to meet the reporting requirements of Section 54 of the Modern Slavery Act. The initiative proposed writing to the Board of each non-compliant company with a tailored letter explaining the nature of non-compliance, the steps needed to achieve compliance, and a clear explanation that members of the engagement coalition will consider withholding their support for the approval of the Annual Report and Accounts at the company’s next AGM should changes not be implemented. This initiative had achieved great success, with all 61 companies targeted in 2021 having become compliant with the Act by January 2022. For 2022, 41 out of 44 companies targeted were 100% compliant by the end of the year. The remaining 3 companies are expected to issue their 2023 statements by March 2023. The success of this project has gained it the PRI award for “Stewardship Initiative of the Year” in 2022.
- As a newly certified B Corp awarded with the “Best For the World” awards in two impact areas, Trinetra participated in a panel discussion to share with other B Corps and aspiring B Corps what processes it had put in place and how it had achieved the high score that led to the awards. Trinetra also worked with one of its investee companies that was undergoing the certification process, providing guidance on the assessment process. Trinetra believes that the B Corp community can have a significant impact as a force for good. It aims to support the growth of that community by sharing its insights.
- In 2021 Trinetra joined an initiative to engage global manufacturers of commercial and domestic washing machines to commit to fitting microfibre filters on new machines as a standard feature, preventing up to 90% of microplastics from entering the world’s marine ecosystems. The initiative aims to achieve measurable outcomes and to provide a significant contribution to SDG 14, “Life under Water” specifically Target 14.1, “Reduce Marine Pollution”. In January 2023, Samsung, one of the initiative’s target companies, announced a collaboration with Patagonia to develop a new machine with a microfibre

filter. This is an important positive development following on from the Grundig Fibrecatcher machine launch in late 2021. Samsung machines are the third most popular brand in France where the new law comes into force in January 2025, prohibiting the sale of machines without a filter.

## Outcomes

Trinetra views itself as an active, not activist investor. Trinetra is a bottom-up, concentrated, fundamental stock picker. Its Immersions research points to companies that can solve social issues. Because Trinetra's investment process expressly selects for companies that it believes behave responsibly, Trinetra relatively rarely observes an investee company's behaviour that warrants serious intervention and thus the need for collaboration.

Trinetra's collaborative efforts focus on initiatives whose objectives align with its values and purpose, and with bodies like the OICD (see above) that seek to change approaches and outcomes across countries and their economies. Its collaborative efforts focus less on specific companies.

The collaboration with the investor group to engage with pharmaceutical companies has provided Trinetra with valuable knowledge on how the sector can work more efficiently, not only in the provision of affordable COVID-19 and other vaccines (see 2021 report), but also in terms of effective changes that can drive organisations to deliver improved accessibility to medicine. Trinetra's engagement with a pharmaceutical company in its portfolio shows that there is a viable path for positive impact towards SDG 3, as companies seek ways to introduce KPIs that link executive remuneration to access metrics.

Trinetra's 2022 collaboration with the initiative run by the Ellen MacArthur Foundation and WWF, following the commitment by the UN to develop a legally binding treaty to end plastic pollution, has focused on the creation of the coalition that will support the negotiation process by providing input from businesses and NGOs.

The coalition has already participated in the first Intergovernmental Negotiating Committee (INC) meeting in December, where mainly procedural and organisational matters were tackled. The next INC takes place in May 2023. Ahead of the next INC in May 2023 the INC Secretariat is preparing a document outlining options for elements of the instrument, that addresses the full lifecycle of plastics, including objective, substantive provisions and core obligations, control measures, and voluntary approaches as well as, implementation measures, and means of implementation. Trinetra expects the coalition to have significant input in this INC meeting by enforcing the message and helping INC members to conclude a treaty with concrete global rules to deliver real impact.



# 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.

Trinetra engages with management over its 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, Trinetra will escalate the matter by addressing it more formally, including with the chair or with other members of the senior management team. Trinetra may also express its concerns by voting against the appointment of certain directors, and by writing to explain Trinetra's voting actions, in accordance with its [Engagement Policy](#).

As a single strategy asset manager, Trinetra's 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, Trinetra is 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 Trinetra with a framework for decision-making and prioritising escalation. They are a combination of:

- the degree to which Trinetra believes a particular principle or objective may be breached 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 Trinetra's intervention.

The context of the parameters is often nuanced. Trinetra will nonetheless challenge cultural norms, for example, if it believes 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 Trinetra decides to engage with a company's management, it considers the most appropriate channel including letters, emails, voice and video calls, and face-to-face meetings. Trinetra's engagement often revolves around the insights that it gains from its Immersions research, and as such is usually intended as a constructive and cooperative sharing of insights. In that regard, escalation sometimes involves management offering meetings with other members of their management team for whom Trinetra's insights may be especially pertinent.

Where Trinetra's attempts to engage are less enthusiastically received, it may choose to further escalate in a variety of ways. Trinetra may request meetings with certain Board members or the Chair of the Board. It may also ask certain of the company's advisors to pass

on its concerns. As mentioned above, Trinetra may also escalate a standalone action to a collaborative one. In more extreme circumstances, Trinetra would consider making public its 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, Trinetra considers the trust between shareholder and management to have been broken. In such circumstances, Trinetra is often minded selling the position in the interest of its clients.

## Escalation example

As mentioned prior, the team sees the most critical role of the board not as a backward-looking function but how it sets strategy and ensures that the company has the right culture in place to deliver the strategy.

This is even more critical when a company changes strategic direction. An investee company's strategy was set to evolve to focus on vaccines and providing access to vaccines in Africa. The team established that the company had no board members with a background in the area of vaccines and only one independent board member with pharmaceutical experience, increasing the risk to the successful implementation of the new strategy.

The concern of having no independent board member with the background to provide meaningful challenges and an independent view on the new strategic direction was discussed with CEO and CFO (both Board members).

Management agreed that the Board should have been looking to bring in someone with specific expertise in injectables and vaccines, who can open doors within the industry and help to formulate a strategy.

Separately the team used a collaborative engagement with other investors that aims to link vaccine access to executive remuneration practices for vaccine producers. Trinetra took the lead to engage with the investee company and 15 other investors and pension plans co-signed the letter and Trinetra co-signed the letters for 9 other companies.

The Chair of the Remuneration committee responded and agreed to engage when the Remuneration Review for 2022 is published as many aspects raised would be addressed there.

Evidence of reduction of risk through these two stewardship activities will allow the analyst to reduce their risk score, increasing risk-adjusted returns, and could result in increasing the size of the position.



*Female entrepreneur/artist, Goa, India*

# Principle 12

## Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

### Exercising Voting Rights

Trinetra's overarching principles on proxy voting are:

- Trinetra votes in the interests of its clients and beneficiaries, and also takes into account the interests of all possible stakeholders
- Trinetra aims to exercise all its voting rights
- Trinetra makes all voting decisions in-house
- There is no presumption of support for an investee company's Board or the Executives
- Trinetra is prepared to abstain or to vote against resolutions
- Trinetra is prepared to deviate from its voting policy where risks pertaining to specific situations would justify doing so
- Trinetra publishes Vote Disclosure Records summarising its voting activity

Voting is at the core of Trinetra's engagement with companies. Trinetra seeks to vote on every item and every meeting on which it is legally entitled to vote. A rare exception of Trinetra 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. Trinetra does not loan securities, and therefore does not have to recall shares to exercise its voting rights.



*Study of Brazilian entrepreneur whose business was made viable because of PIX digital payments*

Trinetra's Proxy Voting Policy has been articulated with the varying culture,

norms and legal standards of different countries in mind. Trinetra applies the policy in the context of the respective markets where its investee companies operate, considering what

course of action is believed to likely result in the best outcome for investors. The policy applies to all of Trinetra's funds, both pooled and segregated.

Votes are decided by the analyst in whose coverage the relevant stock falls as Trinetra believes that sustainability and stewardship considerations are central to its investment philosophy and relevant to each investment case. Trinetra does not employ a separate Responsible Investment team, however research from International Shareholder Services ("ISS"), its proxy advisor, helps to inform the analyst. Trinetra does 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.

Trinetra has never received a request from a client to override its policy. Segregated account clients can opt to vote directly, rather than authorise Trinetra to vote on their behalf. They can request that a specific policy be applied. One of Trinetra's segregated account clients votes directly but expects to be notified in the event that Trinetra does not vote in line with the ISS recommendation, and to be provided with the justification for that vote. This allows the client to take a broader view based on the evidence, and to vote any other proxy votes for the same security held by other fund managers.

Trinetra would not be able to accept a client in a pooled account to direct vote or to override its policy.

Trinetra's Proxy Voting Policy is available on its 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 of Trinetra's votes are recorded and its voting activity is published on a quarterly basis on its website under <https://www.trinetra-im.com/responsible-investing>.

## Proxy voting policy

Key policy approaches include:

### ESG and Sustainability

In line with Trinetra's mission to accelerate positive social transformation in EMs through efficient allocation of clients' capital to companies which can provide solutions to those issues, it seeks to support management who both promote and report sustainability activities for their companies. As such, Trinetra believes that shareholders' long-term interests are aligned with those of other stakeholders in the company, including employees and customers.

### Diversity, Boards and Committees

Trinetra favours boards of companies that are experienced, independent and diverse. While Trinetra is sensitive to cultural conventions, it strongly disagrees with discrimination on the basis of gender, gender identity, race, religion, nationality or sexual orientation. Trinetra believes that discrimination, in addition to being fundamentally unfair, represents a waste of talent that could otherwise contribute to long-term shareholder value, company sustainability, and economic development. Trinetra is, however, aware that progress with respect to diversity can take time in some Emerging Markets. For example, Trinetra 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 that they have a plan to address it in future appointments.

Further, Trinetra believes that the issue of Board Diversity should include consideration of the collective experience and expertise of the Board. Boards which comprise largely financial or investment experts, Trinetra believes, may fail to provide appropriate strategic guidance. As such, Trinetra believes that Boards need to be constituted by members with operational and strategic expertise that reflects the direction of the company.

## Board Remuneration

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



*Consumers still demand plant based alternatives, despite inflation, as they are viewed as healthy*

## M&A and Capital Structure

Trinetra considers the terms of each proposed deal on their own merits. In particular, it considers whether its investment rationale has been breached, and examines the context of acquisition track records and broader stakeholder impact.

## Stock Lending

Trinetra does not undertake any stock lending activity. Trinetra believes that this helps to keep voting rights unambiguous.

## Proxy voting record

In 2022:

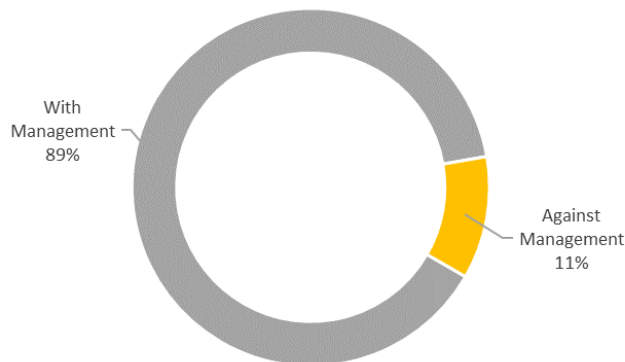
- Trinetra voted in 55 meetings, with 100 ballots voted.
- Trinetra submitted votes through ISS in 100% of ballots, relating to 442 separate resolutions.
- There were no failed votes.

The chart below shows votes cast by Trinetra in ballots during 2022. In 88.9% of cases, Trinetra's votes were aligned with management. The ISS Benchmark Policy recommendations were 85% aligned with management recommendations. This difference demonstrates

Trinetra’s commitment to voting based on its own decisions, and not to merely follow ISS recommendations, when deciding how to vote.

### Analysis of Voting Record in 2022

Compensation issues were the most prominent rationales for voting against management recommendations, accounting for 33% of the votes against management.



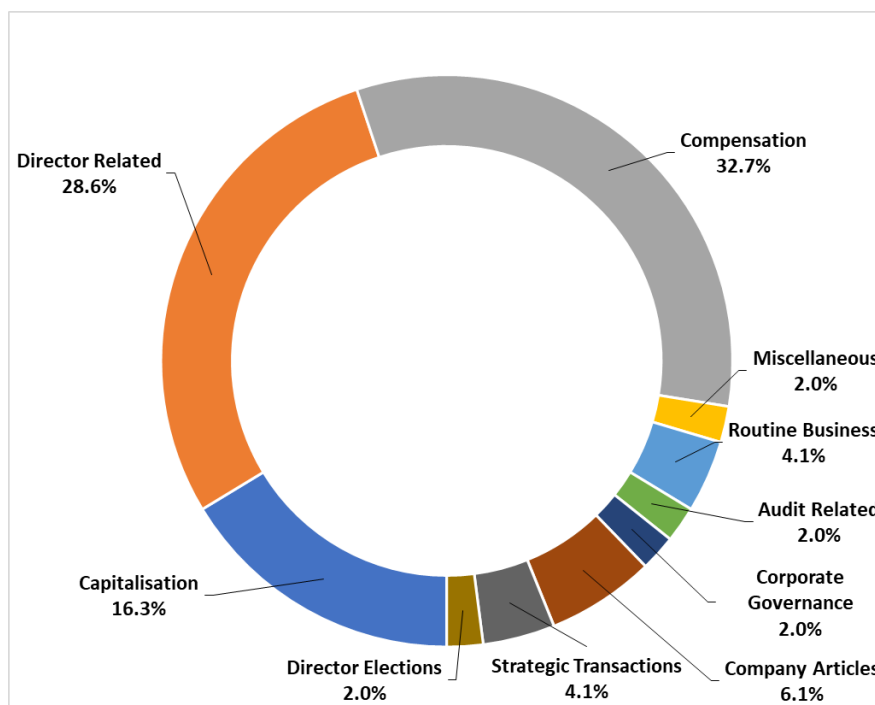
Salaries and incentives should be within market rates and preferably linked to long-term returns on capital employed. Trinetra’s analysts engage with companies where remuneration policies differ from its guidelines.

*Source: Trinetra*

In cases where engagement does not result in a satisfactory result, for example, when the proposal is not clear or emphasises short term results, Trinetra would generally vote against management.

The second most prominent rationale for voting against management in 2022 was Director Related, accounting for 29% of votes against management.

### Analysis of votes AGAINST management in 2022



*Source: Trinetra*

## Examples of voting rationales

Trinetra voted against Board recommendations on 49 occasions during 2022. Trinetra is not aware of any of these occasions when the resolution did not pass. However, Trinetra does not receive this information or related statistics as it does not subscribe to ISS's additional payable service. The analyst team monitors company releases and in the event that it is critical that the resolution passes, Trinetra will engage with management to ensure it was approved as intended. We provided such an example in 2021's report for our investee company, Aspen.

A number of votes against Director Elections pertain to Brazilian companies. Novo Mercado-listed companies are required to ensure that at least 20% of board members are independent. ISS sets a higher bar than the local legislation, requiring a majority of independent directors. Despite Trinetra's against votes, such resolutions are likely to pass given the adherence to local rules. For 2023, Trinetra is taking a more proactive approach given the depressed valuations in the local markets to highlight the benefit of complying with a higher level of governance that would reduce risk and potentially draw a wider pool of international investors which could help stocks to rerate.

Trinetra abstained on 17 proposals during the year, in line with Trinetra's policy.

## Shareholder Resolutions

Shareholder resolutions are not commonplace among Emerging Markets companies. Trinetra voted on 10 shareholder resolutions during 2022.

## Deviations from Voting Policy

Trinetra does not believe that it deviated from its voting policy in 2022. On three occasions Trinetra voted against the recommendations of its proxy voting service provider because Trinetra believed their calculations to have been incorrect. Trinetra considered that voting in alignment with ISS recommendations would have constituted violations of its voting policy in these instances.

### Example 1:

Trinetra voted with management, against policy (according to ISS's voting recommendation) on a vote to amend Articles of Incorporation for a disposable hygiene products company.

According to ISS, the company sought to amend its business objectives to add the words "any legal business". ISS's opinion was that this could allow Unicharm to expand into businesses which are risky and/or unrelated to its core business, hence ISS advised voting against the resolution.

Trinetra contacted the company for further clarification and detail on the amendment and received a letter from the CEO containing supplementary information. According to the current Articles of Incorporation, the activity of the core business is the "manufacture, sale and import/export of non-woven fabric and absorber products". Management seeks to add "all other lawful business", stating in the letter that this is to allow the business to remain "flexible and agile" in order to "cope with the rapidly changing business environment promptly". Management clarified that this will specifically "facilitate new ways of carrying out our core business" and stated that they have "no intention of devoting management resources to areas

diverting from manufacture, sale and import/export of non-woven fabric and absorber products”.

Further written communication with the Investor Relations team specified that the amendment will, for example, help the company to achieve its SDGs, including ownership of a disposable diaper recycling business. Trinetra considered the information and justification provided by the company with respect to the amendment of the Articles of Incorporation, and believed that it was appropriate to vote FOR the proposal, ignoring the ISS recommendation. If the vote AGAINST were to carry, the company may struggle to achieve its SDG objectives which could have negative environmental impact.

### Example 2:

Trinetra voted FOR a resolution to approve the Remuneration Implementation Report for a pharmaceutical company, because it believed that the remuneration committee had taken the correct approach to adjust targets in shareholders' interests. Moreover, management's decision to retain raw material inventory for the manufacture of life-saving COVID vaccines, negatively impacting the ability to achieve Free Cash Flow targets, was on balance the correct decision for shareholders and for potential recipients of the vaccines. Trinetra also noted certain factual inaccuracies in the ISS recommendation. Trinetra believed that it was warranted for some of the same KPIs to be relevant parameters for both long and short-term incentives.

## Monitoring of Shares and Voting Rights

Trinetra's custodians monitor the shares and voting rights. Regular reconciliations are performed between Trinetra and its respective funds' 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 Trinetra holds, the custodians ensure that eligible votes are entered into the proxy voting platform, ProxyExchange, provided by ISS, Trinetra's proxy voting advisors.

## Outcomes

Trinetra regularly monitors outcomes of votes in which it participates.

For example, the team voted FOR a shareholder resolution at the Annual General Meeting to reduce the ownership threshold for shareholders to call special meetings, contrary to management's recommendation, on the basis that reducing the threshold required for shareholders to call a special meeting from 20 percent to 10 percent of shares in the company would enhance shareholders' existing right to call special meetings.

47.15% of shareholders voted for this resolution, sending a signal to management about the importance of shareholder rights.

Trinetra voted AGAINST a resolution at a Chinese technology company's Extraordinary General Meeting to approve the refreshment of the scheme mandate limit under the share option plan of a listed subsidiary of the company.



The rationale for voting AGAINST was as follows. The subsidiary could be considered a mature company, for which 5% of its issued capital would be an appropriate limit for issuance by the scheme. The proposed limit under this scheme was 10% of its issued capital. Further, there was an absence of challenging performance criteria and meaningful vesting periods. This could be seen as a potential for conflict of interest in the administration of the scheme because directors eligible to receive options under the scheme are involved in the administration of the scheme and the administrator has the discretion over their awards.

29.53% of shareholders voted against the resolution, and so against management's recommendation.

Managements have repeatedly brought to our attention that ISS does not provide them a copy of the report to check for factual accuracy before it is issued. Trinetra is concerned that on a number of occasions in 2022, when it did not have easy access to publicly available information, it relied on the ISS research without independently checking it.

For 2023 Trinetra aims to engage with companies on any AGAINST vote, to independently check the factual accuracy, and to give management a chance to provide an explanation. During the first three months of 2023, this revised process identified two resolutions for which ISS had provided incorrect information. The ISS recommendations were subsequently changed. But more importantly, it enabled Trinetra to engage in proactive dialogues with managements, and to set timeframes during which corrective action can be taken.

# 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)	<p>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.</p> <p>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.</p>
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 describing some of the key definitions and acronyms used in this document, as defined by Trinetra.

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

### 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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All investing involves risk including the possible loss of principal.

Not all strategies are available in all jurisdictions.

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