

AIKYA

Engagement and Proxy Voting Statement

Introduction

We are an independent, employee-owned, investment management company that specialises in managing Emerging Markets equity portfolios. The primary aim of Aikya is to protect and grow the real value of our clients' capital over the long-term, with an investing mindset focused on downside risk protection and absolute returns.

We always endeavour to act in the best interests of our clients and see engagement and proxy voting as part of our fiduciary duty as stewards of client capital.

Our Belief in Stewardship

Aikya's investment approach focuses on high quality stewards in Emerging Markets. We align ourselves with business groups who think holistically about both long-term opportunities and risks. Besides evaluating traditional financial metrics, we also perform extensive due diligence to establish how companies treat their various stakeholders. We require investee companies to meet high standards of governance, and to take their environmental and social responsibilities seriously.

This sense of stewardship is critical because the sustainable development challenges in Emerging Markets are both numerous and complex. We firmly believe that the business groups who effectively address environmental, social, and governance (ESG) risks will be long-term winners.

Such groups are happy taking a proactive approach to identifying material externalities even if it means some short-term financial pain. They understand that sustainability challenges should be seen not as a headwind but a tailwind to drive business performance and long-term financial returns.

Our mission is to find such companies that contribute positively to the development of these emerging economies and stay away from businesses with limited or negative social utility. We actively avoid industries such as Gambling, Fossil Fuels, and Tobacco.

The name Aikya means oneness in Sanskrit which reflects our core belief that true stewards align their businesses with the interests of all stakeholders. Companies that take short cuts when it comes to customers, employees, suppliers, the environment, or broader society are unlikely to be rewarding long-term investments.

The Importance of Engagement

We engage because we believe that the purchase of a share in a business comes with both rights and responsibilities. As part-owners of a business, we have a responsibility to engage with company leadership and promote better behaviour, rather than divest our shareholding when we are not content.

It is not fair to separate ESG and investment issues because they are ultimately the same thing; positive engagement on these issues becomes a powerful tool for driving shareholder value and enhancing the value of our client portfolios.

Engagement also provides an additional lens through which to assess the quality of a company's management team. It helps us determine the companies taking their duties to all stakeholders seriously, in the sense they are thinking about long-term risks as well as opportunities.

We have found that the highest quality stewards in Emerging Markets are those that are open to engagement and keen to adapt to sustainability challenges. Comparatively, business owners who do not take sustainability issues seriously typically run into trouble down the line.

The engagement process is not linear, nor is it black and white, and it should be looked at as a long-term journey that helps make more informed investment decisions.

Key Engagement Principles

We pursue an active engagement agenda with companies held in the portfolio. As part of the ongoing research process, the investment team regularly debate and update the engagement agenda for each company.

The engagement agenda usually covers, but is not limited to, the following issues:

- Board independence and diversity.
- Professionalisation of operational management.
- Organisational culture.
- Environmental stewardship.
- Social stewardship, including community relations.
- Capital allocation decision, including M&A.
- The robustness of financials, including audit standards.

Monitoring Our Engagement Agenda

We actively monitor our portfolio companies. We follow personnel changes, strategic moves, country or sector developments, and capital allocation decisions.

Each company in the portfolio is subject to an Annual Report Review (ARR); it is a detailed piece of analysis that provides an update on the key drivers of the investment case. Our ongoing engagement agenda forms part of this analysis and is subsequently discussed amongst the team.

New companies that enter the portfolio are subject to initiation reports, which specifically address the question of engagement opportunities.

We also perform a separate, quarterly, engagement review of our portfolio, to ensure that we are properly co-ordinating our various research efforts on the subject.

From time-to-time, we may interact with other stakeholders wishing to discuss specific matters in relation to portfolio companies. We will consider these on a case by case basis, including any potential for cooperative company engagement.

Proxy Voting

As long-term shareholders on behalf of clients, we consider it important to vote all proposals at annual and extraordinary general meetings.

Prior to casting our votes, the relevant investment analyst reviews each resolution. Decisions can be taken quickly for non-contentious items, such as the approval of financial statements.

More strategic voting decisions, such as the election of Board directors or issuances of new capital, often require further discussion amongst the team. If we feel the disclosure provided by the company is insufficient, we may seek additional information and clarification from the company before casting our vote.

Our ongoing engagement agendas with portfolio companies mean we rarely vote against proposals, and we do not aspire to be activist investors.

However, where we have felt appropriate to vote against management recommendations, it has usually related to one or more of the following issues:

- Resolutions that give the board unfettered rights;
- Dividend payments that risk the health of the balance sheet;
- Aggressive merger & acquisition proposals, especially those funded through debt;

- Short-term or complex executive remuneration packages that lack long-term shareholder alignment;
- The election of Board directors who dilute the quality of the board, which could mean questions around integrity, diversity, competence, or application (attendance).

Recording Proxy Voting

We maintain records of all shareholder proposals and votes, including supporting rationales. We consider these records a useful tool for monitoring the behaviour of company management teams.

Conflicts of Interest

Aikya has a strong culture of compliance, with all staff expected to exercise their business dealings with the highest standards of integrity. Conflicts are avoided where at all possible.

In such instances where a conflict or perceived conflict of interest may arise, there is a framework of policies and procedures in place to govern our approach to avoiding and managing such conflicts.

We conduct an annual risk assessment and maintain a register of conflicts.