AIKYA

Sustainability Impact Report

2020

Signatory of:

PRI | Principles for Responsible Investment

Introduction

Our purpose is to generate healthy long-term returns with strong downside protection. This outcome is achieved by only investing in companies that display the highest levels of stewardship, and our investment process is built around assessing the key aspects of stewardship. We test for a strong sense of purpose, a well-aligned organisational culture, and an awareness of the risks and opportunities associated with sustainability. Over time we have found that well-stewarded organisations that operate within favourable industry structures with large addressable markets are capable of compounding investment returns far longer than most market participants anticipate.

We believe that true stewards align their businesses with the interests of all stakeholders, which makes understanding the sustainability positioning of a business absolutely critical to our judgement on the quality of stewardship. The challenge, however, is that it is not easy to establish what it means to 'take care' of all stakeholders, and how to measure the impact of a business on a broad set of stakeholders.

This is the first edition of Aikya Sustainability Impact Report. It starts with a description of the evolution of our sustainability thinking. We then lay out Aikya's Sustainability Impact Goals, alongside a few other sustainability measures that we track at portfolio level. The final section documents key engagement points that we have pursued since our inception in March 2020 and provides a summary of our proxy voting activity.

On request, we are happy to provide examples of the detailed stewardship assessments that we undertake to establish sustainability impact at an individual company-level. This bottom up sustainability analysis drives the portfolio-level sustainability impact goals and shapes our engagement agenda with individual companies.

Evolution of our Sustainability Thinking

Developing a genuine sustainability focused investing approach means combining the art of sustainability thinking, i.e. asking the right big picture questions, with the science of sustainability thinking, i.e. using evidence-based analysis to define, measure, and track the impact of portfolio companies. For investment analysts trained in traditional finance-oriented methods, this often involves the following stages of evolution in thought process.

Stage 1: Be aware and develop system-wide thinking – Analysts develop an understanding of the various externalities or unintended outcomes of their investments. Often, these externalities are well documented but appreciating the serious long-term risks they pose to investment returns requires an understanding of the system-wide impact of ESG issues. Once analysts understand these risks, they tend to actively incorporate ESG issues into their investment decision-making. A good example of this is the impact of mining operations on local communities, and how poor behaviour poses a risk to a company's social license to operate.

Stage 2: Actively seek companies with 'Purpose'– Analysts start to think strategically about the long-term needs of the society or the planet in general. They actively try to invest in companies with a 'purpose' that is aligned with the long-term sustainable development goals. Such companies should be committing minimal damage to society and the environment in pursuit of their stated purpose. For example, access to clean sanitation is an important sustainable development goal for almost 1.5 billion people at the base of the pyramid in India and Africa. Unilever, which has strong brands that are positively aligned with this goal, is well positioned to improve cleanliness for the masses, and benefit from a long-term structural growth opportunity.

Stage 3: Engage to shape sustainability outcomes – The next progression is to attempt to shape favourable sustainability outcomes. This means an analyst starts engaging with investee companies in very broad terms, i.e. nudging them to find a socially useful purpose, which they can be achieved with minimal cost to society and environment.

Stage 4: Evidence based analysis of sustainability issues - Without detailed analysis of the ESG costs and benefits of a business, an analyst is forced to make subjective judgments in relation to Stage 1 and Stage 2, which means they risk falling for ‘greenwash’. Simply following Stage 1 and Stage 2, without detailed sustainability analysis, is the equivalent of making investments based on high-level concepts that are not supported by detailed financial analysis. And without detailed sustainability data to back your efforts, engagement with companies (Stage 3) is at best an exercise in wishful thinking.

Let us illustrate the problem with a few examples. A leading micro payments business serving base of the pyramid customers in East Africa, is also behind one of the worst bribery scandals; a medical diagnostic chain in India focused on improving access to good medical care, regularly provides kickbacks to doctors for sending patients to its clinics; a widely used messaging app is driving significant financial inclusion in China, but also behind incarceration of thousands of ethnic minorities opposed to one party rule. Without a comprehensive framework for reporting and analysing these issues, how would you determine if a business is truly sustainable?

Sustainability data is neither well defined nor audited. This means companies usually report what they find convenient, and not what they should. In order to truly assess how sustainable a business is, and how it compares to both its peer group and its own history, an analyst must study sustainability information at a very granular level, ideally combining various reporting standards. In short, the analyst must develop sustainability models that are as detailed as models for traditional financial analysis. Such detailed analysis also enables a much more involved and targeted engagement agenda with companies.

Stage 5: Set long-term sustainable impact outcome expectations – Having understood the ESG costs and benefits of an investee company, and backed such claims up with evidence, the next step is to establish long-term targets for the sustainability impact goals for i) individual companies and ii) the entire portfolio. Setting such expectations is very similar to the way an analyst would set long-term investment return targets after detailed analysis of a company’s financials. Defining sustainability outcomes for the entire portfolio and making those issues as important as long-term investment return expectations, is the final step in the sustainability journey of an investment analyst.

Aikya Sustainability Impact Goals

Aikya is well positioned to incorporate both the art and science of sustainable thinking in the investment process, and progress to Stage 5, as laid out above. As a team we have decades of experience investing responsibly and asking the right high-level questions linked to ESG issues. Sustainability thinking is already integral to every investment decision we make.

We have developed detailed industry specific analytical frameworks to analyse ESG information, through which we compare various companies within an industry and across entire industry value chains. This level of detailed analysis helps us to: a) establish higher conviction in the quality (or lack thereof) of a company, and hence make the investment process more robust; b) easily see through the 'greenwash' of a company, as we compare businesses against their highest quality industry peers globally; and c) develop detailed and specific engagement agendas to be pursued with company management teams.

We are setting clear sustainability impact goals for the Aikya Emerging Markets Equity Portfolio (Aikya Portfolio), which will translate to specific long-term goals for each of our investee companies. These impact goals will sharpen our focus on sustainability issues when thinking about potential investment ideas. The goals will also help us better define engagement agendas with our investee companies, and in general will make our judgement on the quality of stewardship in a company more robust.

We remain resolute in pursuing our purpose, which is to generate healthy long-term investment returns for our investors while providing strong downside protection. We think this is only possible by investing alongside high-quality stewards of businesses. Our core belief is that high-quality stewards align their businesses with the interests of all stakeholders, and business groups which incorporate sustainable thinking into everyday decision making are going to be long-term winners.

Aikya has decided to pursue the following sustainable impact goals:

1. Aikya Portfolio should only be invested in companies which make a significant contribution to at least one UN Sustainable Development Goal (SDG) by 2030.
2. Carbon Intensity[1] for the entire Aikya Portfolio should halve by 2030 (with 2019 as baseline year). Aikya Portfolio should achieve **net zero** carbon emissions by 2040.
3. Environmental Resource Intensity[2] for the entire Aikya Portfolio should halve by 2030 (with 2019 as baseline year).
4. Ensure by 2030, that none of Aikya Portfolio companies display more than one incident of poor social stewardship over preceding three years.
5. Aikya Portfolio companies should either have a dominant shareholder whom we trust or a truly independent board by 2025.
6. Aikya Portfolio companies should have a healthy gender balance in their organisation by 2040.

[1] Carbon Intensity is defined as Green Gases (Scope 1 and 2) emissions to sales in any given year.
[2] Environment Intensity is defined as the virgin natural resources such as water, non-renewable energy and material a business uses and the waste it generates for every unit of sales. This is an Aikya defined metric and is customised for each industry.

We are committed to providing full transparency on how our portfolio companies contribute towards (or detract from) achieving each of these goals. This will enable our investors to hold us accountable to our own sustainability performance track record over time. We also hope that these goals act as rallying point for us to collaborate with other like-minded investors to achieve a greater impact on our investee companies.

Purpose

Our assessment of stewardship begins with understanding the 'purpose' of a company. Determining what products and markets a business is going to serve is the most important choice facing top management, for their decisions demonstrate how they are thinking about sustainability. Aikya's investment process is entirely bottom up, and whilst we do not have any exclusion lists, we do believe companies operating in industries with negative social utility such as Tobacco, Gambling, Fossil Fuels and Defence Equipment are unlikely to be rewarding investments long-term.

A company with a purpose aligned to achieving UN SDGs usually benefits from long-term structural growth and experiences fewer risks. A company could make a positive contribution towards UN SDGs in several ways: a) by providing basic needs such as food, energy, hygiene, credit, communications, transport and wealth to lower income groups through its product and services; b) by enhancing health, education and general wellbeing of large populations; c) through improvements to productivity with technological solutions accessible to large populations.

Our first sustainability impact goal is to ensure that the Aikya Portfolio should only be invested in companies which make a significant contribution to at least one UN SDG by 2030.

	Purpose	2017	2018	2019	MSCI EM in 2019
1	Percentage of Ailya Portfolio invested in companies that make a significant contribution to at least one UN SDG			92%	N/A

Vitasoy's recent success in China did not happen overnight and owes itself to the company's decades old purpose. The flagship brand has been synonymous with affordable plant-based nutrition since its beginnings in Hong Kong in the 1940s. This purpose has been continually reinforced by the stewards at the top of the business, the Lo family, who have remained single-minded in their focus on health. This meant that Vitasoy was very well positioned to benefit from changing trends in China, when increasingly health-conscious consumers started demanding more nutritious products. This provides a large and growing addressable market for Vitasoy, who can introduce more plant-based beverages in the years ahead. This experience in China is expected to be replicated in other markets, such as the Philippines, over time.

Environmental Stewardship

Developing countries face complex environmental challenges in the pursuit of their economic growth. Air and water pollution, degradation of natural habitats, and scarcity of fresh water. The true costs of such 'externalities' needs to be accounted for when assessing an investment case for a business operating in these countries. We would like our companies to have a minimal environmental footprint while serving their purpose.

There are three ways a company could demonstrate its environmental stewardship: a) by achieving climate stability by controlling Green House Gas (GHG) emissions associated with both their own operations and their entire value chain; b) by minimising the resource burden on the environment and recycling as much they can and consume as little virgin material as possible; c) by ensuring healthy ecosystems on either land and under oceans, while running their businesses.

For the banks held in the Aikya Portfolio, we also actively monitor if they have strict environment considerations while lending.

Our second sustainability impact goal is to ensure that Carbon Intensity for the entire Aikya Portfolio should halve by 2030 (with 2019 as baseline year). The Aikya Portfolio should achieve net zero carbon emissions by 2040.

Our third sustainability impact goal is to ensure that Environmental Resource Intensity for the entire Aikya Portfolio should halve by 2030 (with 2019 as baseline year).

We track the following metrics relating to environmental stewardship quality for our portfolio companies.

	Environmental Stewardship	2017	2018	2019	MSCI EM in 2019
2	Carbon Intensity Green House Gas Emissions to Sales: Scope 1 & Scope 2) for Aikya Portfolio.	55	55	51	307
3	Environmental Resource Intensity (Aikya calculated metric, indexed at 100 in 2019) for Aikya Portfolio			100	N/A
4	Percentage of banks in Aikya Portfolio that have strict environmental lending considerations	60%	60%	60%	N/A

Japanese diaper manufacturer **Unicharm** has built a successful business in Emerging Markets like India and Indonesia, by providing affordable and functional localised products. However, diapers are extremely impactful from an environmental perspective. They are not biodegradable and present one of the world's fastest growing waste problems. Within this context, Unicharm stands out globally for its proactive efforts to combat the environmental challenge. Over the last couple of decades, the company has reduced waste in the manufacturing process, procured more sustainable materials, and lowered energy costs. It is taking environmental stewardship to the next level, as the first diaper manufacturer globally to commercialise the recycling of diapers, which is expected to reduce GHGs by close to 90%. This technological breakthrough very clearly demonstrates the family owners at Unicharm are thinking about the long-term risks and opportunities for the business.

Social Stewardship

Businesses do not exist in isolation. Their fortunes are inextricably linked to the communities they inhabit, and towards whom they are obligated to behave in a fair manner. The first question we ask is "What will it take for a business to lose its social license to operate?". In our experience the companies that create more problems than solutions for local communities often risk losing their social licence to operate, which can have disastrous consequences for both the business and shareholder returns.

Our fourth sustainability impact goal is to ensure that by 2030, none of the Aikya Portfolio companies display more than one incident of poor social stewardship over the preceding three years.

Examples of poor social stewardship include: unfair treatment of customers, abuse of local communities, poor safety culture in the operations, poor quality control in manufacturing, or a breach of customer data and privacy. We also stay away from companies that could be aiding human rights abuse, not treating their customers or workers fairly, and not paying their fair share of taxes to the governments.

We track the following metrics relating to social stewardship quality for our portfolio companies.

	Social Stewardship	2017	2018	2019	MSCI EM in 2019
5	Number of Aikya Portfolio companies that displayed more than one incident of poor social stewardship over the previous three years			3	N/A
6	Number of direct jobs provided by Aikya Portfolio companies (million)	1.9	2.0	2.0	N/A
7	Number of human lives impacted by Corporate Social Responsibility (CSR) programs run by Aikya Portfolio companies (million)	5.0	6.2	7.5	N/A

The Chilean government privatised water utilities in 1999, under a Pinochet-era Water Code, which classified water as a private good. One of the beneficiaries was Aguas Andinas, a company that supplied water to Santiago. In the decades that followed the company enjoyed its privileged position as a lightly regulated monopoly, generating excellent returns and very attractive dividends for shareholders. It has proven to be a good investment for its shareholders, but has it been good for the community it is supposed to serve? Santiago's consumers pay one of the highest prices for water in the region, and it is alleged that company failed to invest enough capital back into the infrastructure to ensure water security for the city residents[3]. As Chile goes through a mega drought due to climate change, water issues add to the frustration felt by the middle and lower-income Chileans. While pursuing profitability for its shareholders, has Aguas Andinas increased the risk of losing its social license to operate? Water de-privatisation ranks as a top 10 issue to be addressed in Chile's new constitution.

[3] Daniel Gallagher (2016): The heavy price of Santiago's privatised water, The Guardian. https://www.theguardian.com/sustainable-business/2016/sep/15/chile-santiago-water-supply-drought-climate-change-privatisation-neoliberalism-human-right

Governance

Good governance is central to the delivery of sustainable development. It requires long-term alignment of shareholder and management interests, a well-functioning board, robust internal controls, and an executive remuneration structure which is fair and aligned with the long-term interests of all stakeholders.

Our portfolio is largely invested in businesses majority owned by an entrepreneur or business family. We believe that the majority of the companies listed on public stock exchanges suffer from a 'principal-agent' conflict. The interests of company management teams as 'agents' are rarely aligned with those of the shareholders, because managements' compensation is typically linked to short-term measures. Therefore, it is quite rare for us to find the true qualities of stewardship in companies where the government is a large shareholder, or where there is no dominant shareholder at all.

In contrast, we often finding the governance qualities that we desire in family-owned businesses, or businesses where top management have a significant economic stake. However, even the majority of family-owned businesses fail our governance tests because they are either not honest or conservative enough. We diligently avoid companies with weak listing structures, opaque accounting, frequent related party transactions, and overly aggressive majority shareholders.

Our fifth sustainability impact goal is to ensure that all Aikya Portfolio companies should either have a dominant shareholder whom we trust or a truly independent board by 2025.

	Governance	2017	2018	2019	MSCI EM in 2019
8	Percentage of Aikya Portfolio invested in companies with either a large shareholder whom we trust or with a truly independent board.	97%	97%	97%	60%

It takes a long time for us to develop 'trust' in an entrepreneur or business family that we chose to back. The challenge for analysts researching successful business families in developing countries is the general lack of free media, and the incestuous nature of business elites. If you are rich, it is likely that you are extremely well connected, and have influenced the media. It is therefore harder for outsiders to obtain a true and unadulterated version of history. We navigate this situation through our network of trusted contacts that have been developed over the years. There are a few clean families in Emerging Market countries, and we make it our mission to develop close relationships with them. This is how we avoided Steinhoff, one of the worst corporate scandals in South Africa[4]. Its leader Marcus Jooste was never really accepted by traditional and honest business families in Cape Town, where he was based. He was typically described as a brash dealmaker with far too much aggression. We decided against owning shares in Steinhoff for the best part of two decades because we could not get a sense of their accounts, nor could we find a positive reference from our network of trusted contacts. We watched on the side-lines as the shares went up until one day in early 2018 when its auditor refused to sign off the accounts and a great fraud was exposed.

[4] Rob Rose (2018), Steinheist: The inside story behind the Steinhoff scandal. Daily Maverick. https://www.dailymaverick.co.za/article/2018-11-14-steinheist-the-inside-story-behind-the-steinhoff-scandal/

Organisational Culture

We believe a healthy organisational culture, when aligned with the long-term purpose of a business, is a source of sustainable competitive advantage. For our portfolio companies, we would like to see a high level of diversity, a culture of healthy debate and mutual respect, and a leadership team that really cares about its employees.

Our sixth sustainability impact goal is to ensure that all Aikya Portfolio companies have a healthy gender balance in their organisation by 2040.

We track the following metrics relating to organisation culture for our portfolio companies:

	Organisational Cuture	2017	2018	2019	MSCI EM in 2019
9	Percentage of the companies in Aikya Portfolio with a healthy gender balance in their organisation	44%	42%	44%	24%
10	Percentage of companies in Aikya Portfolio where the top management earns more than 50x the average wage		43%	47%	47%
11	Percentage of companies in Aikya Portfolio where employee attrition is <10%	42%	57%	47%	60%

Indian IT services provider **Tata Consultancy Services (TCS)** is a global leader within its industry. The company's success is in part a reflection of management's proven ability to manage the burden of scale and a work force that now exceeds 450,000 people. Without the foresight of the Tata Group and its management team, TCS would never have become the business it is today. Their critical insight was to recognise the importance of creating an organisational culture that would sustain for decades; this meant continuous de-centralisation through the creation of smaller industry specific business units. These business units sub-divided further when they reached critical scale, which has provided both autonomy and career growth for ambitious employees. At the same time, TCS has consistently avoided the temptation to cut headcount to manage profitability during difficult times. This has earned the company a reputation for being the best employer in the industry and allowed the business to emerge stronger from every economic downturn. This ability to resist short-term pressures is only made possible by the ethics and multi-decade time horizon of the stewards at the top of Tata Group.

Engagement

Our long holding periods build a sense of partnership with investee companies, who, over time, become increasingly open to engagement. Our relationships allow us to discuss critical governance and sustainability issues with top management; positive engagement on such issues becomes a powerful tool for enhancing the value of our client portfolios.

We engage for two primary reasons:
First, we believe that the purchase of a share in a business comes with both rights and responsibilities. Therefore, we have a responsibility, as part owners of the business to engage with the senior management to nudge them towards better behaviour, rather than divest our holding.

Secondly, we see ESG issues as ultimately investment issues. Positive engagement on these issues becomes a powerful tool in driving shareholder value and enhancing the value of our client portfolios.

We engage on a wide variety of topics with the key decision makers in our investee companies, in the following ways:

a. Proxy Voting: all proposals are discussed within the investment team, and then decided upon for voting.
b. We periodically meet the management teams of our portfolio companies and pursue our engagement agenda with them. We have a clearly defined tailored engagement agenda for each of our investee companies.
c. On select engagement issues, we could canvass support from other like-minded shareholders to work together and maximise impact

Engagement Meetings: March 2020 – December 2020

Category	Company	Discussion
Environmental Stewardship	Marico	With the reporting of Scope 1 and 2 emissions now largely commonplace, we have been urging our portfolio companies to also disclose Scope 3 emissions. In this context, we were pleased to note that Marico has recently shared Scope 3 emissions data for the first time. Such transparency is an excellent start, with the next step being a commitment to targets that will reduce the carbon impact of their value chain. We spoke to Marico's operational and supply chain leadership about how they plan to reduce Scope 3 emissions, which will involve educating and auditing supply chain partners.
	TSMC	Across our portfolio we continue to question and understand why specific companies have been slower than others to adopt renewable energy. For example, TSMC accounts for 5% of total energy consumption and one-third of total energy growth in Taiwan but sources less than 10% of its energy from renewable sources. Whilst government policy is often required to stimulate the growth in renewables, we are also pushing our holdings like TSMC to take leadership and make firm commitments.
	Bank Central Asia (BCA)	Our discussions with BCA about their lending practices towards palm oil producers are ongoing. Five years ago, there was little consideration for certified palm oil when BCA was granting loans, but today one-third of loans to the sector are to certified producers, and there is no lending to greenfield projects. Whilst the direction of travel is positive, we would like quicker progress, and will continue our dialog with management accordingly.
Social Stewardship	Bradesco	Financial inclusion is an important issue for banks in Emerging Markets. The institutions that do not address the bottom of the pyramid are creating opportunities for disruptors to take market share. We have followed the situation in Brazil closely, on account of our investment in Bradesco, and because a plethora of digital banks have launched in recent years. Through our research and conversations with management, we are satisfied that Bradesco's digital offerings have gained traction

Category	Company	Discussion
		with the traditionally unbanked population. Management's impetus on the bottom of the pyramid is both good risk management and strategically important longer term.
	Clicks	South African pharmacy retailer Clicks has won praise for its role within the community during the ongoing coronavirus crisis. This goodwill was unfortunately threatened in September when the company released an online advert for TRESemmé shampoo that was widely seen as being racist. The advert and the products in question were quickly removed, controls were tightened, and the senior executive responsible resigned. Whilst the incident was highly disagreeable, we take some comfort from the quick and appropriate reaction of Clicks' top management, who understood the importance of correcting such a breach of ethics.
	Vitasoy	We had a productive conversation with Vitasoy's management about their progress transitioning the product portfolio away from high sugar beverages. In recent years they have launched a number of 'moderate to zero' sugar drinks, which demonstrates sincere attempts by management to evolve. We continue to gently push the company to better disclosing the contribution of their high sugar beverages, as well as engaging on the point that 'low sugar' drinks in China are subject to lower nutrition standards than Australia, its most regulated market from a health perspective.
	Uni-President Enterprises	We spoke to the local management team of Uni-President Enterprises' operations in China about the need to improve reporting on product nutrition and were pleased to hear that they have already initiated a process with third parties.
Governance Stewardship	Advantech	Our emphasis on family-owned businesses means we track succession within families very closely. In this context, we engaged with Advantech about the recent appointment to the board of Wesley Liu, who is the son of Chairman and founder K.C. Liu. We wanted to understand if the second generation would be involved in daily management of operations and were pleased to learn that Wesley Liu will sit at board level in a non-executive role. In our view the separation of ownership and management provides the best opportunity for Advantech's engineering culture to continue to flourish.
	Dairy Farm	Towards the end of the year we spoke with Dairy Farm on a couple of occasions and voiced our concern that the all-male board of directors is not sufficiently diverse. Whilst we have been encouraged by the management changes within Dairy Farm in recent years, we would like to see more urgency from its major shareholder in terms of modernising the governance structure of the company, and plan to continue to engage with the company on this specific point.
	SITC International	Earlier in the year we caught up with the management at SITC International who were happy to share with us that they wanted to make certain changes to the board. We strongly agreed with management's suggestion that the board should aim to become more independent and diverse, and made the point that they should look beyond the shipping industry if it meant improving the overall quality of the board. We were therefore pleased to hear that SITC International had appointed Prof. Mantian (Mandy) Hu to the board in October 2020.

Category	Company	Discussion
	Universal Robina	The quality of the board of directors at Universal Robina improved further this year, with the appointment of two of the Philippines top female executives as independent directors. We are in regular dialogue with the company and have been supportive of the controlling family's decision to professionalise management and improve governance structures within the group.
Capital Stewardship	FEMSA	We engaged with FEMSA about the company's capital allocation plans, having been concerned by the possibility that they might be considering a large acquisition overseas. We were reassured that the existing businesses remain the focus, and that we should expect to see less, not more, complexity in the corporate structure going forward. We also expect FEMSA to sell down its stake in Heineken when the time is right.
	Mahindra & Mahindra	The company announced a leadership transition, which has been designed to help improve the financial returns of certain parts of the conglomerate's business. Having spoken with management and voiced our concerns about some non-core assets, we believe capital decisions will be exposed to greater scrutiny in the near future.
Organisational Culture	Tata Consultancy Services (TCS)	We engaged with TCS about gender diversity within their workforce. Whilst TCS scores favourably relative to peers in IT services industry, they still only have 36% female participation at entry level and 12% in middle management. The company believes the situation is exacerbated by the limited number of female engineering graduates, and whilst we have some sympathy for this view, we continue to push the company to incrementally improve year-on-year.
	Tube Investments	In light of the news that the company made a significant acquisition in the form of CG Power, we spoke to the senior management team about their plans. Specifically, we were keen to understand their thoughts around organisational structure and personnel changes. We were encouraged to learn that a number of Tube Investment's key operational managers were taking roles at CG Power. In our view, this should mitigate some of the risks that accompany acquisitions of this size.
	Voltronic Power	High employee attrition is a metric that we follow for all of our companies. In the case of Voltronic, employee turnover increased significantly in 2019, so we met with management to understand the cause. They explained that seasonal attrition has risen, with workers, who are largely migrants, wanting prolonged breaks that far exceed the annual leave on offer from manufacturing companies like Voltronic. As a result, Voltronic will have to employ a higher proportion of temporary workers, which comes at a cost to the business.
	Unicharm	We were concerned to learn that fire had destroyed a Unicharm manufacturing facility in Gujarat. Fortunately, all 572 members of staff were evacuated from the company's premises, and there were no reports of casualties or injuries. We are in the process of assessing whether there is anything in the company's culture that might need tightening, because this was the second major blaze at a Unicharm-owned factory in India in the last three years.

Proxy Voting

Details of proxy voting by Aikya during the current period is as follows:

Proxy Voting (during the current period)	
Total number of proposals	134
Total number of companies	13
Total votes cast (as % of proposals)	100%
Votes cast against management	0

Proxy Voting by Proposal Type	
Board Composition	26%
Audit & Financial Report Approvals	10%
Remuneration	24%
Capital Management & Allocation	33%
Changes to Status	5%
Shareholder Meeting Administration	1%
Other	1%