AIKYA

Report to UK Stewardship Code

For the year ending 30th June 2021

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Introduction

Aikya is an independent investment management company that focuses on investing in Emerging Markets equities. Aikya is majority-owned by employees and entirely investment-driven. While Aikya was only founded in March 2020, the investment team has over a decade of track record of responsible investing in Emerging Markets. Aikya team members have worked at major investment management firms for most of their working lives and have multiple decades of combined experience investing in Emerging Markets.

Aikya was founded with the aspiration to be the gold standard of sustainable investing within Emerging Markets. The name Aikya means oneness in Sanskrit, reflecting our belief that Environmental, Social, and Governance (ESG) considerations are as integral to investment decision-making as the analysis of traditional financial metrics on a company's performance.

In this report, we aim to explain how we comply with and support the 12 principles of the UK Stewardship Code in our role as an investment manager. The report covers the year ending June 30th, 2021 and has been reviewed and approved by the Aikya Board.

Signed

Ashish Swarup

Ashish Swarup
Managing Director
Aikya 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.

Purpose

Aikya has a twin purpose:

1. To generate healthy long-term investment returns for our clients with strong downside protection.
2. To make a significant impact when it comes to the sustainable development problems facing Emerging Market countries by investing in responsibly managed high-quality companies.

We believe that both elements of our purpose are aligned. Generating healthy long-term investment returns with strong downside protection is only possible if we invest in high-quality companies that are well-positioned to solve sustainable development problems.

Business Model and Strategy

Aikya is an investment management boutique majority-owned by the investment team. We focus on investing in Emerging Markets only. Our ambition is to be known amongst the best performing Emerging Markets focused investment managers globally.

We are entirely investment driven. We do not want to be the biggest, but we do want to be the best at what we do. To achieve our purpose, we plan to implement strict capacity control measures.

We would like to grow our business by finding like-minded institutional clients who understand our investment approach and share our passion for helping to solve the development problems facing Emerging Market countries. We intend to continue to carefully select our client base to ensure that they are well-aligned with our mission, which means we are driven by the quality, not scale, of client assets.

We want to keep things simple at Aikya and intend to keep our focus on Emerging Markets. We are one investment team based in one location, with a flat structure and collegiate culture. Keeping things simple maximises our focus and improves our investment performance.

Our partner and minority equity holder, Pinnacle Investments (ASX: PNI), has a long and successful history incubating and supporting boutique investment businesses, with its affiliates collectively managing $60bn of assets. Aikya has been established in a way that allows the investment team to concentrate entirely on investing, with Pinnacle providing an entire range of support services.

Serving Best Interests of Clients

We believe Aikya is well-positioned to create long-term value for our clients and to serve the interests of society at large. Our most important edge is our long-term mindset and psychological discipline, which allows us to look beyond short-term headlines and market noise. A long-term focus can be developed over time, but it requires a business structure that supports investment-driven decision making. The right business structure nurtures the right type of investment culture, which is supported by an aligned investor base.

Most investment managers operate within large institutional structures which prioritise growth in Assets Under Management (AUM) over investment performance. Many firms are run by people who are not 'investors' themselves, and therefore they focus on what they can 'measure' or 'control'. Instead of thinking about how to enhance long-term returns, many investment management firms get obsessed with short-term relative performance vs. their peer group and the benchmark. Although unconventional decisions can generate superior investment performance in the long term, most managers are reluctant to differentiate through fear of standing out from the crowd.

Aikya is majority controlled by the investment team, and every decision we make is driven by a desire to execute our investment philosophy in the best possible way. We don't chase short-term market returns if it means compromising our true purpose, drifting from our investment philosophy, or putting the long-term investment returns for clients at risk.

Investment Beliefs

Stewardship

Establishing the quality of stewardship in the companies we chose to back is at the heart of our investment philosophy. We look for a strong sense of purpose, environmental and social stewardship, exemplary governance, and a well-aligned organisational culture. Our core belief is that high-quality stewards align their businesses with the interests of all stakeholders, and business groups that incorporate sustainability thinking into everyday decision-making are going to be the long-term winners.

Long Holding Periods

The long-term prospects of companies are seldom priced perfectly by the market, and high-quality stewards tend to sustain the compounding power of their businesses for far longer than most market participants anticipate. Our advantage is our willingness to hold shares in the companies we like, for a long time. As a result, we are sober in the good times and retain perspective during difficult periods. We use periods of difficulty to accumulate shares in our favourite companies.

Integrated Approach to Sustainability

Analysing sustainability topics and then engaging with companies on the most material issues is an integral part of our investment process, and therefore every Aikya analyst is involved with stewardship and engagement activities. Our analysis of sustainability issues at a company level is as detailed and rigorous as traditional financial metrics.

We think it is not possible to have a genuinely long-term focused investment approach if sustainability analysis is outsourced to a separate internal team. First and foremost, sustainability analysis is a key component when assessing the quality of a company, and therefore should be performed by the investment team itself. Secondly, having a separate team perform sustainability assessments and conducting engagement activities usually means these functions are a few steps removed from portfolio management; so, whilst their analysis might be excellent, there is a lack of impact on the final portfolio. Moreover, when the engagement is driven by investment analysts themselves, company management can appreciate the relevance and urgency of these issues more clearly.

Deep Relationships with Investee Companies

In an Emerging Markets context, deep and long-lasting relationships with the key decision-makers of investee companies are crucial to making an impact through engagement. As a team, we have deep relationships with the management teams of our portfolio companies and extensive experience engaging with them on stewardship-related issues. Our long holding periods build a sense of partnership with investee companies, which, over time, become increasingly open to engagement. Our relationships allow us to discuss critical sustainability issues with top management; positive engagement on such matters becomes a powerful tool for enhancing the value of our client portfolios.

Active Engagement

We engage for two primary reasons: Firstly, we believe that owning shares in a business comes with both rights and responsibilities. Therefore, as part owners of the business, we have an obligation to engage with senior management to nudge them towards better behaviour, rather than divesting our holding. Secondly, we see sustainability topics as investment issues and do not separate the two; positive engagement on such issues becomes a powerful tool in driving shareholder value and enhancing the value of our client portfolios. How management teams respond to our engagement requests also gives us a good read on the quality of their stewardship.

Sustainability Impact Goals

We have set clear sustainability impact goals for the Aikya Emerging Markets Equity Portfolio (Aikya Portfolio), which are linked to specific long-term goals for each of our investee companies (https://aikya.co.uk/sustainability-impact-report-2020/).

1. The portfolio should only be invested in companies that make a significant contribution to at least one UN Sustainable Development Goal (SDG) by 2030.
2. Carbon intensity, i.e., GHG (Scope 1 and 2) emissions to sales, for the portfolio should halve by 2030, with 2019 as the baseline year. Aikya Portfolio companies should achieve net zero carbon emissions by 2040.
3. The environmental resource intensity for the portfolio should halve by 2030 (with 2019 as baseline year). This is an Aikya defined metric which is customised for each industry. It refers to the amount of virgin natural resources (per unit of sales) that a business consumes, as well as its ability to recycle waste.
4. None of the portfolio companies should have displayed more than one incident of poor social stewardship over the preceding three years by 2030.
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.

These impact goals sharpen our focus on sustainability issues when thinking about potential investment ideas. The goals also help us better define our engagement agendas with investee companies and strengthen our judgement when it comes to assessing the quality of stewardship.

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

Culture and Values

We believe our unique culture is a key competitive advantage. Our culture is defined by the following attributes:

Diversity

Aikya is majority-owned by team members from ethnic minority communities in the UK. We celebrate our diversity. Aikya team members have diverse backgrounds in terms of gender, age, ethnicity, spoken languages, education and socioeconomic conditions while growing up. More importantly, members of the team have very different cognitive processes.

Collegiality and Debate

We encourage open and collegiate debate in both investment and firm matters. Aikya is a psychologically safe place to innovate and question each other. Every piece of work is peer-reviewed within the team, with open and transparent feedback given to the work's author.

Teamwork and Distributed Leadership

We eschew a 'star culture'. Firm and investment leadership is distributed, and the team is non-hierarchical. Teamwork is absolutely critical to us. Our investment process, performance measurement, and incentive structure are all geared towards maximising collaboration. There is no individual performance attribution at Aikya. Team members are remunerated for their contribution to the strategy and business as a whole.

Continuous Evolution and Learning

While Aikya's investment philosophy does not change, its successful execution requires continuous evolution and learning. We actively promote creativity and contrarian thinking within the team. We routinely analyse our mistakes with a view to collectively learn from them.

Transparency

We believe that 100% transparency is the first pre-requisite to develop a long-term relationship of mutual trust with our clients. Therefore, we are committed to best in class reporting of our investment research and engagement efforts to our clients.

Activity and Outcomes During Year Ending June 30th, 2021

Aikya was formed in March 2020. For our first reporting year, we are pleased to report that our investment processes and practices enabled us to deliver on both investment outcomes for clients and stewardship activities with investee companies, in line with expectations.

Principle 2: Governance, Resources and Incentives

Signatories' governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach;

Governance and Processes

Stewardship activities at Aikya are performed and monitored at three levels of the organisation:

1. Investment analysts are the primary drivers of stewardship activities at Aikya through their research efforts. We continuously monitor the companies held in the Aikya Portfolio. We do this through regular meetings with the management teams, as well as periodic Annual Report Reviews (ARRs) and Fair Market Value (FMV) assessments on these companies. We also build sustainability models for all portfolio companies. These are detailed industry-specific analytical models that provide a transparent guide to whether companies are taking their sustainability responsibilities seriously, and it gives us a platform from which to engage with company management teams.

2. The Stewardship Committee forms the second layer of stewardship governance. This committee, which is chaired by an experienced portfolio manager, is responsible for:

    a. Monitoring the progress of the Aikya Portfolio as a whole against Aikya's Sustainability Impact Goals (Please refer to Principle 1)
    b. Following up on engagement items escalated to 'severe' level by Aikya analysts (Please refer to Principle 11 for a detailed description of our engagement escalation process)
    c. Coordinating company engagement on any portfolio-wide issues such as climate change or plastic packaging
    d. Driving Aikya's collaboration with external advocacy groups, other like-minded investors, or industry initiatives which may further our engagement agenda

    The Stewardship Committee meets every month and reports its progress to the Aikya board (Board) every quarter.

3. The Board holds final responsibility for our stewardship efforts and investment approach. The board monitors Aikya's approach to stewardship, including the progress of Aikya portfolio companies in relation to the sustainability impact goals. Our commitment to Aikya's sustainability impact goals has the full support of Aikya's majority shareholders, who are Aikya investment team members. The board also ensures that our investment and stewardship activities remain well resourced.

We are preparing for B-Corp certification for Aikya. As part of this process, the Board shall be legally obligated, as per Aikya's Articles of Association, to consider the impact of our business on all stakeholders.

Resources and Incentives

Aikya is majority-owned by a seasoned investment team with many decades of combined investing experience in Emerging Markets. Our performance culture is underpinned by sensible incentives, a focused offering, and the outsourcing of non-investment functions to our minority partner Pinnacle. Pinnacle is a business management and operations company designed to support high-quality investment management businesses.

Our ownership and governance structures are designed to allow Aikya to focus on successfully implementing our investment philosophy, while Pinnacle exists to provide invaluable support and oversight across all non-investment functions. We believe this results in superior long-term investment results for our clients.

Stewardship activities are supported by the following resources:

1. **An Experienced Team:** The team is highly experienced when it comes to stewardship activities, owing to its heritage and long-held belief that sustainability and investment decisions are inseparable. We have practised a sustainability-oriented investing approach in Emerging Markets for more than a decade and have gained considerable experience engaging with senior business leaders in Emerging Market countries.

   https://aikya.co.uk/about/#team

2. **Established Relationships:** As a team we have deep and long-standing relationships with the key decision makers of the companies we follow, and such relationships are crucial for meaningful engagement in Emerging Markets. The team spends a considerable amount of time on the ground every year, visiting countries in our investable universe, and meeting a wide range of people in our network. We meet not only company management teams, but also their non-executive board members, major shareholders, employee union leaders, customers, competitors, suppliers, journalists, non-profit leaders, and various other stakeholders in a company's value chain.
3. **Broader Perspectives:** In addition to our considerable mainstream professional experience, various team members are active in the charity sector, giving them an additional perspective while talking to companies on issues related to social stewardship. We have been associated with various educational and developmental charities across Emerging Markets.
4. **Focused Approach:** Each Aikya analyst covers a relatively small number of companies for maintenance research – typically approximately 15 companies. This allows each analyst to develop deep insights, gain conviction, and undertake stewardship activities, all of which would be more difficult to achieve with a less focussed approach. Our coverage of Aikya Portfolio companies is so intense that we

expect to know our companies better than most managers, enabling a higher level of engagement with management teams and boards.

5. **Proprietary Sustainability Analysis:** Because sustainability is not standardised and often covered in 'greenwash', we have developed our own industry-specific detailed sustainability models. These models, which incorporate various sustainability reporting standards, allow us to compare companies across industries and value chains. Our sustainability models assess companies on the quality of their: i) purpose, ii) environmental stewardship; iii) social stewardship; iv) governance; and v) organisational culture. This level of detail for sustainability analysis helps us in multiple ways, for it allows us to: i) establish higher conviction in the quality (or lack of) of a company, and hence make the investment process more robust; ii) look through greenwash more easily, as we compare them against other high-quality businesses in their industry globally; and iii) it helps us develop a more proactive engagement agenda with company management teams. Please refer to Principle 7 for more details.
6. **Outside Research Collaboration:** From time to time, we also engage external research providers for bespoke research work on certain topics of interest. These research providers may include leading non-profit organisations, advocacy groups, or universities. For example, we engaged a leading health & nutrition-focused research institution for a study of Emerging Markets food and beverage companies, to assess which companies have made significant progress in terms of the healthiness of their product portfolios. Such studies help with broader engagement initiatives with Aikya Portfolio companies.

Incentives

The investment team's compensation arrangement is designed to promote teamwork and a joint sense of ownership over outcomes, rather than individualistic attributions. Stewardship considerations, and how effective an analyst is in pursuing engagement agendas with our investee companies, form a critical part in evaluating the performance of an analyst. A large part of staff compensation is linked to the ownership of Aikya shares, which creates very long-term alignment for staff with client and firm interests.

Training

Training and mentoring form a key element of Aikya's investment culture, and we organise regular training sessions relating to our investment approach and stewardship activities for less experienced analysts in the team. Specific training was provided for analysts to learn how to build the Aikya sustainability models & engagement logs, so analysts understood how the models were linked to Aikya's Sustainability Impact Goals. Successful mentoring is also part a Key Performance Indicators (KPIs) for Aikya's leadership team.

Activity and Outcomes during Year ending June 30th, 2021

As described under Principle 1, diversity is one of the key tenets of our culture. The Aikya team is already relatively diverse, but we are committed to improve our gender diversity over next 4-5 years. As part of this effort, we offered internships to two aspiring female investment professionals in the firm.

Aikya's investment process involves ongoing peer reviews for all company research and potential investment decisions. In addition, we begun conducting formal 360° reviews, which we will repeat annually. The review is conducted by an Aikya team member who is not directly involved in the research process and the process serves to bring together peer feedback on each team member's commitment to Aikya's culture and values, as well as their contribution to investment research and effective stewardship.

Principle 3: Conflicts of Interest

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

Conflicts of Interest Policy

Aikya is founded on the principle that our interests are fully aligned with those of our clients. The duty of care to act in the best interests of our clients is deeply embedded within our culture.

We have a flat business structure with no subsidiaries or connected parties. We manage a single investment strategy. We believe our simple structure and product offering results in an environment where the risks of conflict are minimal. Nevertheless, on a frequent basis, and at least annually, the Board is provided (by compliance) written reports of any conflicts of interest or potential conflicts of interest that may arise. This includes details of any situation giving rise to a conflict or potential conflict, an assessment analysis, and the measures being taken to mitigate said conflicts. Periodically the Board analyses conflicts that have arisen, as well as potential conflicts of interest, and reviews the systems and controls in place for future prevention and mitigation.

We recognise that in any business, conflicts of interest may arise. In order to identify potential conflicts and the appropriate steps for avoidance and remediation, we maintain a Conflict of Interest Policy. This policy demonstrates that Aikya is committed to identifying, monitoring, and managing all actual and potential conflicts of interest that can arise between Aikya and our clients. All Aikya staff attest to this policy annually. The Conflicts of Interest Policy is reviewed by the Board every year.

Aikya takes all reasonable steps to identify conflicts of interest that arise in the course of its business between:

- Aikya, including all staff or any person directly or indirectly linked, and the duty that we owe to our clients and investors;
- Two or more clients or investors;
- Any potential conflicts arising during our stewardship activities.

Below are a few examples of areas of potential conflict, and our approach to avoidance:

1. **Personal Account Dealing:** Aikya team members are not allowed to buy securities in any company, to avoid conflicts arising due to personal account dealing.

2. **Inducements:** Aikya, could offer or receive inducements in respect of certain services, which could incentivise the recipients of the inducement to not act in the client's best interests. All Aikya staff are subject to our Inducements & Hospitality Policy which sets clear limits to what is permissible and the associated pre-approval requirements and process.

3. **Remuneration:** Employees could be incentivised to act in a way that conflicts with

clients' best interest or encourages inappropriate or excessive risk taking for the sole aim of generating more fees/performance. Remuneration for all Aikya team members is linked to their contribution to the overall strategy and client experience. We are one team, working together on a single strategy, with no individual stock performance attribution.

4. **Order Handling:** Client orders could be handled in a manner that may benefit Aikya, employees or one client at the expense of other clients. For example, if the execution of one client's orders was given preference over another client's orders. We avoid such a conflict because all clients are invested into a single portfolio of holdings, meaning all Aikya clients' interests are aligned together. Furthermore, our Order Handling Policy sets out how orders are to be allocated should we manage multiple portfolios in the future, for example if we have a segregated client mandate in addition to our current pooled vehicle. Allocations occur prior to order placement, and fills are to be allocated on a pro-rata basis.

Potential Conflicts which may arise during Company Stewardship Activities

Below are a few examples of areas of potential conflict that may come up during our company stewardship activities and how we manage them.

1. Board members of a company we engage with or vote on may have a commercial relationship with Aikya. This conflict could arise if a trustee of a pension fund we manage money for serves on the board of a company we hold in our portfolio, and we intend to vote against her directorship. We always vote in the best long-term interests of the investee company, and therefore in the interests of our clients, and will never compromise our independence. When such a conflict arises, we will report it to Aikya Compliance and the Chair of the Stewardship Committee, who may escalate it to the Board if the issue warrants further consideration.

2. Aikya team members may have personal relationships with the companies we are engaging with or voting on. For example, an Aikya portfolio manager may have an outside relationship with the board member of a company where we are invested. Any such conflict is immediately reported to Aikya Compliance and the Chair of the Stewardship Committee.

3. Our clients may try to influence our collaboration with non-profits or other like-minded investors on certain issues which could compromise our independence or objectivity. A trustee or a client may try to dissuade us from participating in a broad engagement with other investors. Whenever the investment team feels that there is an inappropriate influence being exerted which could compromise our independence, the matter is escalated to Aikya Compliance and the Chair of Stewardship Committee, who may raise this to the Board if needed.

4. Our engagement, voting, or policy work may conflict with Pinnacle Investments (ASX: PNI), which is a minority shareholder in Aikya. Aikya is majority controlled by the investment team, and genuinely independent from Pinnacle investment

Management.

Conflicts of Interest Register

Conflicts of interest situations are reported immediately to Aikya compliance. Aikya keeps and regularly updates a record of any actual conflict of interest that arises (or may arise in the case of an ongoing service or activity) that entails a risk or damage to the interests of our clients. This information is included in the periodic compliance report to the Board.

During the year ending June 30, 2021, we did not record any actual conflicts of interest.

Principle 4: Identify and Respond to Market-Wide Risks

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

There are two ways in which we seek to identify and respond to market-wide and systemic risks. As investors with a very long-term horizon, we believe such risks could impact our investment returns, and it is imperative that we identify and respond to them appropriately.

1. **Investment Process**

As discussed under Principle 1, analysis of the sustainability issues for a company are completely integrated into our investment process. Aikya analysts develop an understanding of the various externalities or unintended outcomes of their investments, as part of our regular investment research on companies. 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 sustainability issues. A few examples of such issues are provided below:

Net Zero commitment: As part of an exercise which we did before adopting Net Zero as a goal for the Aikya Portfolio, we performed detailed modelling of how a 'Net Zero' commitment would impact our investee companies, in terms of costs and opportunities. For each company in the Aikya Portfolio, our analysts developed various scenarios that modelled the potential range of impact on earnings, of various regulatory and market driven changes. This research work then drove a large part of the engagement agendas with our investee companies. We encourage all Aikya Portfolio companies to be more aggressive while adopting 'Net Zero' commitments.

Climate Change and its Impact: As part of our broader work on understanding the physical and transition risks related to climate change in Emerging Markets, we studied the impact of climate change on all Aikya Portfolio companies. We have developed detailed models which link possible changes related to climate change with specific financial metrices of each of our companies. We have also developed an understanding of how climate change might impact the stability of political and financial systems in the countries where we invest. These research conclusions improve our assessments on the long-term quality and valuation prospects of Aikya Portfolio companies, and directly influence how we manage client portfolios. We have also incorporated some of these concerns and questions into our engagement agendas with relevant financial institutions and aim to take these issues up with key policymakers in these countries.

COVID-19 and its impact: Understanding the systemic impact of COVID-19 on the markets and countries Aikya Portfolio companies serve was a key focus for our research this year. We tried to understand this question at various levels: a) Immediate impact of the pandemic on the business prospects of our companies; b) Long-term changes to the consumer behaviour which may shift the market demand and prospects; c) The impact on income inequality and what it means for the social and political stability in the countries in our investment universe; d) How our companies are ensuring employee well-being during the pandemic? These research conclusions directly influenced our investment view on Aikya companies and were also used to enhance our engagement agenda with the companies.

In addition to the examples above, we provide two detailed case studies on how our investment research identified specific issues with serious implications across the wider market and the steps we took to engage with the companies and policymakers in order to address them.

Use of Plastic Sachets in Emerging Markets

The Issue

In Emerging Markets, personal care products are often sold in small single portion sachets to help locals afford the products. The products in sachets are aggressively marketed to low-income consumers in rural communities, who are unable to afford larger-sized products. The sachet is a combination of plastic and other materials such as foil, which cannot be recycled. There is no economic incentive to collect used sachets that have been improperly dumped, so no one bothers picking them up. Contrast this with a one litre plastic bottle that might be worth something once collected and returned for its deposit. These sachets clog drains, contribute to flooding, and often end up in landfills where they struggle to biodegrade. Rather than developing accessible reusable packaging systems, consumer goods companies appear intent on proceeding with sachets.

Aikya's Investment Research

South East Asia alone accounts for almost 50% of the global sachet market; some 855 billion sachets were sold globally in 2018, and at current growth rates, 1.3 trillion sachets will be sold in 2027. Should there be an additional tax while using sachets? What happens to the cost of products being delivered if companies are forced to phase them out?

The Aikya investment team has deliberated these issues in detail and incorporated them into our thinking while we consider Fast Moving Consumer Goods (FMCG) companies for investment.

Aikya's Engagement Efforts

We have developed a detailed action plan on engagement with a range of key actors on this issue, which include the leading consumer goods companies active in these countries, key non-profit organisations, and important policy makers in countries such as India and the Philippines.

Environmental Resources Intensity of Semiconductor Manufacturing

The Issue

On behalf of our clients, we are shareholders in the world's leading manufacturer of the semiconductor chips in Taiwan. It is a very well-managed business, and its continued innovation has made this business a key link in the global technology supply chain and hence potentially a source of systemic risk.

Aikya's Investment Research

Through our detailed modelling of various environmental resources needed in the manufacturing process of the company, we realised the extent to which the company' success is putting a serious strain on Taiwan's energy and water resources. As the company moves towards more advanced semiconductor chips, the manufacturing process becomes more complex, which requires more energy intensity.

Manufacturing Process		2015	2016	2017	2018	2019	2020	CAGR
Energy Consumed	GWh	8,915	9,848	12,016	13,167	14,323	16,919	14%
Water Consumed	M MT	38	42	49	57	64	77.3	16%
Sales	NT $ bn	843	948	977	1,031	1,070	1,339	10%

The company accounts for 5% of all energy consumption in Taiwan, and one-third of all energy growth in the country. The problem as things stand is that Taiwan has been behind the curve when it comes to renewable energy, with more than 95% of the country's energy still derived from thermal and nuclear sources.

The situation with water is similar, in the sense the natural resource is strained, and semiconductor manufacturers need to find a long-term solution. Despite having the highest rainfall of any advanced economy in the world, Taiwan regularly flirts with drought, because the country's reservoirs are filled with silt. The latest generation chips, on account of being more complex, use 1.5x more water during the manufacturing process, and there is a scientific limitation (87%) when it comes to recycling water.

Aikya's Engagement Efforts

Once we identified these risks, we not only incorporated then into our investment view on this company and the technology supply chain in general, but we have also developed an engagement agenda with a few companies in the value chain to understand what can be done to address these risks.

In the last year the Taiwan government has made a net zero pledge for 2050, which will drive the behaviour of leading companies. The company has pledged to reach 30% renewables by 2030, and carbon neutrality by 2050. In this context, we were pleased that the company signed the largest ever corporate deal for offshore wind, in 2020.

2. External Collaborations

Since launch, and throughout the reporting year, we have sought to identify industry initiatives and stakeholder groups that are aligned with our core values, and that will help us improve our analysis and engagement. Below we list the initiatives with which we have connected, and summarise their work and our motivation to engage:

Principles for Responsible Investing (PRI)	Recognised industry thought leader; 6 principles highly aligned with Aikya's investment philosophy; detailed reporting framework providing independent assessment of responsible investing activity. Aikya submitted a complete response during the period.
Carbon Disclosure Project (CDP)	Global disclosure platform that seeks to enhance the environmental impact reporting by companies, investors, and geographies. As a member, Aikya has access to high-quality research, data, and company disclosures.
Montréal Pledge	By signing the Montréal Carbon Pledge, in line with our own carbon footprint reduction targets, Aikya commits to measure and publicly disclose the carbon footprint of our investment portfolios on an annual basis.
CCLA. Find it, Fix it, Prevent it	Modern slavery focussed initiative highly aligned with Aikya's investment philosophy, which seeks to assess the organisational culture within companies, and any risks associated with their supply chains.
Investor Agenda	Net zero emissions focussed investor initiative, highly aligned with Aikya's own net zero portfolio targets.
FAIRR	The world's fastest-growing investor network focusing on ESG risks in the global food sector. Highly relevant given the significant Aikya portfolio investments into the food sector.
Task Force on Climate-Related Financial Disclosures (TCFD)	Climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. Disclosure-related engagement is a significant part of the Aikya investment process, and the scope for improvement in emerging markets is high.

Activity and Outcomes during Year ending June 30th, 2021

During this reporting year, our engagement efforts, including those related to systemic risks, have centred around meetings with company management, and shareholder voting.

Principle 5: Review and Assurance

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

The ongoing review and assurance of Aikya's stewardship activities are performed at the following levels:

1. **The investment team** has a non-hierarchical structure and a collegiate culture. All investment analysis and stewardship activities are peer reviewed by other members of the investment team; we constantly challenge each other and debate every decision relating to stewardship or investing we make.

   As described in Principle 7, we have developed our own proprietary sustainability models, which combine various sustainability reporting standards, that are as detailed as our financial models. Through these detailed models we can compare various companies within an industry and across the entire industry value chain; this allows us to track a company's progress on key sustainability issues over time. We keep a detailed log of our engagement activities within each company model, which allows us to periodically review the progress of each engagement agenda.

   As sustainability analysis and engagement with companies are so closely linked to investment decision making at Aikya, we are constantly improving in the way we analyse sustainability related information. We also continuously review the most appropriate ways to engage with companies.

2. **The Stewardship Committee** is responsible for ensuring that all pending engagement items on Aikya's stewardship agenda are being pursued, with priority given to items escalated to the 'severe' category (Please refer to Principle 11). The Stewardship Committee also reflects upon the effectiveness of the existing stewardship activities and thinks about ways to improve efforts.

3. **The Board** reviews, on a quarterly basis, progress made in terms of stewardship, as well as the portfolio companies performance against Aikya's Sustainability Impact Goals.

Please refer to Principle 2 for details relating to the governance of stewardship activities at Aikya.

The table below presents the key sustainability-related metrics which we track our portfolio companies on, and how they perform vs. the MSCI Emerging Markets benchmark.

	Purpose	2017	2018	2019	2020	MSCI EM in 2020
1	Percentage of Aikya Portfolio invested in companies that make a significant contribution to at least one UN SDG			96%	95%	N/A
	Environmental Stewardship	2017	2018	2019	2020	MSCI EM in 2020
2	Carbon Intensity (Green House Gas Emissions to Sales: Scope 1 & Scope 2) for Aikya Portfolio	55	55	51	48	277
3	Environmental Resource Intensity (Aikya calculated metric, indexed at 100 in 2019) for Aikya Portfolio			100	92	N/A
4	Percentage of banks in Aikya Portfolio that have strict environmental lending considerations	60%	60%	60%	83%	N/A
	Social Stewardship	2017	2018	2019	2020	MSCI EM in 2020
5	Number of Aikya Portfolio companies that displayed more than one incident of poor social stewardship over the previous three years			3	0	N/A
6	Number of direct jobs provided by Aikya Portfolio companies (million)	1.9	2.0	2.0	1.9	N/A
	Governance	2017	2018	2019	2020	MSCI EM in 2020
7	Percentage of Aikya Portfolio invested in companies with either a large shareholder whom we trust or with a truly independent board	97%	97%	97%	97%	59%
	Organisational Culture	2017	2018	2019	2020	MSCI EM in 2020
8	Percentage of the companies in Aikya Portfolio with a healthy gender balance in their organisation	43%	41%	43%	39%	41%
9	Percentage of companies in Aikya Portfolio where the top management earns more than 50x the average wage		43%	47%	58%	34%
10	Percentage of companies in Aikya Portfolio where employee attrition is <10%	41%	47%	47%	59%	58%

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.

At Aikya we manage a single sustainability-focused Emerging Markets equity portfolio. Our clients are invested in this strategy via either direct or feeder investments into the Aikya Global Emerging Markets UCITS fund. As of 30 June 2021, the total assets under management of the Aikya strategy was USD255.4m. Our clients are based in the UK, Australia and the European Union.

Our largest clients are an Australia Superannuation Investor, a European Private Wealth Investor, and a UK Insurance Provider. The remaining fund investments consist of Aikya and Pinnacle related principal investments and a small number of external direct investors.

We are long-term investors, focussed on generating healthy absolute returns, which we achieve through investments in high-quality companies that offer strong downside protection. We seek clients who share our long-term mindset and who ideally have an investment horizon of 5-7 years, and at a minimum 3 years.

We regularly communicate with our current and prospective clients through written communications as listed below.

Publicly Available Reports

https://aikya.co.uk/insights/

1. Annual Sustainability Report: The report articulates our ongoing sustainability efforts, the progress of the Sustainability Impact Goals for the Aikya Portfolio, proxy voting statistics, and recent engagement history.
2. Quarterly Investment Letters: These describe our investment approach with the help of company-specific examples
3. Periodic Thought Pieces: Any additional topics we wish to cover, for example on the challenges of practising responsible investing in Emerging Markets

Available on Request

Company Research Reports and Sustainability Models & Engagement Logs.

Activity and Outcomes during Year ending June 30th, 2021

Our clients and prospective clients understand the steps that we take regarding all aspects of stewardship. They are all familiar with our public company statements on our approach to sustainability, engagement, and climate risk, and fully support us in our approach to stewardship. In the reporting year, we have managed 100% of assets in alignment with our policies, and more importantly in line with our clients' expectations.

Principle 7: Integration of Stewardship and Investment

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

Environmental, Social and Governance (ESG) considerations are integral to every investment decision we make, and we firmly believe that business groups that effectively address sustainability issues will be long-term winners. Our mission is to find companies that contribute positively to the development of emerging economies. We do not outsource any part of our investment process and do not consider ESG analysis in anyway separate to investment analysis.

Aikya Sustainability Framework

We think about the risks and opportunities associated with sustainability around the following dimensions:

1) Purpose

Aikya's investment process is entirely bottom-up, though we believe companies operating in industries with negative social utility such as Tobacco, Gambling, Fossil Fuels, Mineral Extraction and Defence Equipment are unlikely to be rewarding investments long-term. A company with a purpose aligned to achieving United Nations Sustainable Development Goals (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.

Example: Vitasoy (portfolio holding)

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.

2) 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 are just some of the challenges facing Emerging Markets. The true costs of such 'externalities' need to be accounted for when assessing the investment case for any 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 through controlling Green House Gas (GHG) emissions associated with both their own operations and the entire value chain; b) by minimising their resource burden on the environment, which means consuming limited virgin materials, and embracing recycling where possible; c) by ensuring healthy ecosystems on either land or under oceans while running their businesses.

For financial institutions, such as banks, held in the Aikya Portfolio, we also actively monitor if they have strict environmental lending considerations.

Example: Unicharm (portfolio holding)

Japanese diaper manufacturer Unicharm has built a very 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.

3) 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 companies that create more problems than solutions for local communities often risk losing their social license to operate, which can have disastrous consequences for both the business and shareholder returns. Examples of poor social stewardship include unfair treatment of customers, abuse of local communities, negligent 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 governments.

Example: A Water Utility in Chile, which was downgraded out of Aikya's list of investable companies.

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 a privately operated water utility in Chile. 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? Chilean consumers pay one of the highest prices for water in the region. It is alleged that the company failed to invest enough capital back into the infrastructure to ensure water security for the city residents. 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 this company increased the risk of losing its social license to operate? Water de-privatization has ranked as a top 10 issue to be addressed in Chile's new constitution.

4) Good 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 investment mainly in businesses majority-owned by an entrepreneur or business family. We believe that most 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 find the governance qualities that we desire in family-owned businesses, or businesses where top management have a significant economic stake. However, even most 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.

<u>Example: How we avoided a major corporate fraud in South Africa</u>

It takes a long time for us to develop 'trust' in an entrepreneur or business family we choose 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 investing in one of the worst corporate scandals in South Africa. Its founder/CEO was never really accepted by traditional and honest business families in Cape Town, where he was based. He was typically described as a brash deal maker with far too much aggression. We decided against owning shares in this company 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 sidelines 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.

5) 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.

Example: Tata Consultancy Services (portfolio holding)

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.

Sustainability Impact Goals

We believe that in order to have impact through stewardship activities, you need to incorporate both the 'art' and 'science' of sustainable thinking into the investment process. 'Art' means asking the right high-level questions linked to sustainability issues, as driven by the framework laid out above; while the 'Science' is the means to back up this high-level thinking with hard data analysis.

Aikya Portfolio level

The Aikya Sustainability Framework has allowed us to set clear sustainability impact goals for the portfolio, which then translate to specific long-term goals for each of our investee companies. These impact goals sharpen our focus on sustainability issues when thinking about potential investment ideas. The goals also help us define engagement agendas with our investee companies, and in general will make our judgements on the quality of stewardship more robust.

The Aikya Portfolio level Sustainability Impact Goals are as follows:

1. The portfolio should only be invested in companies that make a significant contribution to at least one UN Sustainable Development Goal (SDG) by 2030.
2. Carbon intensity, i.e., GHG (Scope 1 and 2) emissions to sales, for the portfolio should halve by 2030, with 2019 as the baseline year. Aikya Portfolio companies should achieve net zero carbon emissions by 2040.
3. The environmental resource intensity for the portfolio should halve by 2030 (with 2019 as baseline year). This is an Aikya defined metric that is customised for each industry. It refers to the amount of virgin natural resources (per unit of sales) that a business consumes, as well as its ability to recycle waste.
4. None of the portfolio companies should have displayed more than one incident of poor social stewardship over the preceding three years by 2030.
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.

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

Company level analysis

We have developed our own proprietary sustainability models, which combine various sustainability reporting standards and are as detailed as our financial models. Through these detailed models we can compare multiple companies within an industry and across the entire industry value chain; it allows us to analyse specific issues and determine whether a company might be underperforming its peers, which subsequently becomes an agenda item with the management team.

For company-level analysis we mainly rely upon our own datasets and fundamental research and do not use any external vendor.

Principle 8: Monitoring Service Providers

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Proxy Voting and External Research

As described before, we believe that ESG analysis, proxy voting, and high-quality peer-reviewed research are all fundamental and inseparable components of our investment process. We run concentrated portfolios, perform deep fundamental research on the companies we cover, and our investment analysts are ultimately responsible for the stewardship activities. This means that the analysts are able to execute proxy voting and engage with the companies based on their own detailed understanding of the companies rather than rely on proxy advisors.

Wherever we feel we have an important insight concerning a specific company's governance structure, environmental impact, or social stewardship, we are open to sharing our insight with major proxy advisors.

We consume very little from external data and have limited engagement with research providers. However, we remain open-minded to any products or services that will enhance our investment process in the future or "sense check" something that we already do ourselves.

Evaluating ESG rating providers

During the year we looked at various providers of 'ESG' related ratings and data and evaluated one leading ESG rating providers in detail. We have outlined our detailed finding below, having studied the ratings and analysis on each of the companies in Aikya Portfolio. We are planning to share our findings with the provider so that they can address a few of these shortcomings in the future version of the tool.

1. Aikya's approach to sustainability is very holistic. Our starting point is to understand the true purpose of a business. If the business is aligned with one of the UN Sustainable Development Goals (UN SDG), we then assess how that business achieves its purpose in the most resource-efficient way, with low carbon intensity, and with best-in-class governance. This is an entirely bottom-up process that leverages our long-held relationships and experience in Emerging Markets and is consistent with the rest of our investment approach. An assessment of both risks and opportunities related to ESG issues is key part of this approach.
2. This specific ESG rating provider follows a narrower, 'risk-based' approach to ESG. Using a centralised quantitative model, industry sub-sectors are adjudged to have certain 'exposures' based on the perceptions of ESG risks. Company-specific 'betas' are overlaid to arrive at a company-level 'exposure'. This company-level 'exposure' is then multiplied with a score ascribed to management quality in relation to ESG risks (again based on certain quantitative metrices), in order to assess the extent to

which ESG risk is left ‘un-managed’. Unmanaged ESG risk then drives the ESG risk score on a company.

3. A pure risk-based approach to ESG assessment leads to wrong conclusions and systematic biases in our view. For example, as part of this particular ESG rating provider’s framework, companies operating in the Software & Services sector score very well on ESG risks as this industry does not produce any physical goods. In contrast, food producers score poorly because they not only need to manufacture what they sell but they also require plastic packaging in order to deliver their goods to consumers. Does this mean all food producers are necessarily bad for the sustainable development of the countries we are investing in? We do not believe so, as many of the food producers Aikya is invested alongside deliver reasonably priced nutrition to millions of consumers at the base of the pyramid in The Philippines, Vietnam, and Indonesia. In the process, such companies fulfil two key UN SDGs of Zero Hunger (UN SDG #2) and Good Health & Well Being (UN SDG #3).
4. As sustainability-focused investors, our own purpose is <u>not to</u> turn away from companies who are fulfilling a sustainable development goal. Instead, we look to support companies in their journey, so long as they have the intention to move towards a more resource-efficient way to deliver on their purpose, and are able evidence progress on an ongoing basis. Our extensive engagement agenda with the company, which is based on detailed modelling of the company’s sustainability track record plays a crucial role here.
5. A pure quant-based approach to assessing ESG also makes ESG ratings more susceptible to ‘greenwashing’, as large companies with significant sustainability budgets can afford ‘ESG consultants’ who can potentially game the system. The problem of ‘greenwashing’ is highlighted in the way this ESG rating provider scores management quality, which is a largely quantitative approach. This is especially misguided within Emerging Markets, and we sense a systematic bias, where the management teams of large well-known companies are rated higher than their counterparts at lesser-known small and mid-cap companies.

Principle 9: Engagement

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

Engagement forms a crucial part of our long-term investing approach. We engage for two primary reasons: Firstly, we believe that the purchase of a share in a business comes with both rights and responsibilities. Therefore, as part owners of the business, we have a responsibility to engage with senior management to nudge them towards better behaviour, rather than divesting our holding when difficult situations arise. Secondly, we see sustainability issues as investment issues. Positive engagement on these issues becomes a powerful tool in driving shareholder value and enhancing the value of our client portfolios. How management teams respond to our engagement requests also give us a good read on their quality and helps us better refine the investment case.

We think it is not possible to have a truly sustainability-focused investment approach if the stewardship analysis is outsourced to a separate internal team. First and foremost, stewardship analysis is a key component when assessing the quality of a company, and therefore should be performed by the investment team. Secondly, having a separate team perform sustainability assessments and conducting engagement activities usually means these functions are a few steps removed from portfolio management; so, whilst their analysis might be excellent, there is a lack of impact on the portfolio. Moreover, when investment analysts themselves drive the engagement, company management can appreciate the relevance and urgency of these issues more clearly.

Our long holding period and deep relationships we have cultivated with the management teams in Emerging Markets are a key source of advantage for us. We are able to build a sense of partnership with portfolio companies, which, over time, become increasingly open to engagement. Our relationships allow us to discuss critical sustainability issues with top management; positive engagement on such issues becomes a powerful tool for enhancing shareholder value.

Setting of Engagement Objectives

As described in Principle 2, investment analysts are the primary drivers of stewardship activities at Aikya. Given the close integration of sustainability issues into our investment process, an analyst is the best person to define the engagement agenda for a company and then prioritise various issues within that agenda. There is a two-step process through which an analyst designs an engagement agenda for an investee company:

1. At an Aikya Portfolio level, we have set clear sustainability impact goals as described under Principle 1, which then translate to specific long-term goals for each of our investee companies. These impact goals sharpen our focus on sustainability issues when thinking about potential investment ideas. The goals also help us define engagement agendas with our investee companies, and in general, will make our judgement on the quality of stewardship of a company more robust.
2. At the company level, we have developed our own proprietary sustainability models, which combine various sustainability reporting standards that are as detailed as our

financial models. Through these detailed models, we can compare various companies within an industry and across the entire industry value chain; and then see specific issues where a company might be underperforming its peers, which could then become an agenda item for engaging with the management team.

Activity and Outcomes during Year ending June 30th, 2021

As a team, we have deep relationships with the management teams of our portfolio companies and a long experience engaging with them on stewardship-related issues. The table below shows the number of engagements we have undertaken in the past 12 months:

Total Companies Engaged	Portfolio Companies Engaged (1)	Deep Engagements (2)	Engagement Topics		
			Environmental	Social	Governance
106	37	33	33	46	103

(1) Held within 12m to June 30 2021

(2) Defined as two or more focussed enagements during the period

Please see below examples of detailed engagement case studies from the reporting period:

Beverages Brand in China

Introduction/Issue

This is a family-owned business in Hong Kong, whose eponymous brand of soymilk is well-known in Asia. It has been expanding into China in recent years, through strong sales of soymilk and RTD lemon tea.

Whilst soymilk is viewed as a healthier, more environmentally friendly, alternative to milk, we closely analysed the nutrition content of the company's beverages portfolio and were dissatisfied at how the company was classifying parts of its portfolio as 'moderate-to-low sugar'. We noticed that they followed Chinese standards, i.e., <5g/100ml means low sugar, rather than developed market standards which were more like <2.5g/100ml.

We, therefore, made it an engagement topic to highlight this point in the hope that the company would i) change its definitions, and ii) re-think its targets. Our view was that by not lowering sugar content, they might be risking their brand equity and leaving a gap in the market for competitors.

Aikya's Approach

We have known the company's CEO for a number of years, and fortunately he is a genuine sustainability advocate and happy to take feedback on board. We arranged a call to present our findings, which included peer analysis of competing beverage companies and their nutritional content.

The CEO put us in touch with the company's Head of Sustainability, and we were able to follow up the conversation in more depth in the months that followed. We were pleased to note in our most recent conversation in May 2021 that the company is considering changing how it classifies low sugar to reflect higher standards. We were also pleased to note that they intend to change their targets to pursue only 'low sugar' beverages, which means dropping targets for 'moderate' sugar' beverages entirely.

This is undoubtedly a step in the right direction, but an area where we will continue to engage. As a next step, we are urging the company to disclose its total sales (revenue contribution) from low sugar products, because at the moment its reporting focuses on product SKUs, which has the potential to mask the true nutritional content of the portfolio.

Our conviction in the company management has been strengthened through our engagement efforts, which meant we were comfortable adding to its position in the portfolio when the company's valuation (share price) became more acceptable.

Mid-size IT Services Business in India

Introduction/Issue

This is an Indian mid-cap, with a business model that provides outsourced engineering services to blue-chip global clients. We have known the family-owners and management team for a few years, having built up a relationship via mutual contacts. The group has a very strong reputation in terms of ethics, and an extensive Corporate Social Responsibility (CSR) program, but its environmental reporting was historically minimal. We therefore wanted to help the company improve its disclosure as well as set long-term environmental targets.

Aikya's Approach

We were well placed to engage because of our historic relationship with management. We highlighted the issue around ESG reporting to the Chief Financial Officer and Chief Operating Officer of the company in two separate meetings before raising the issue again with the Chief Executive Officer later in the year. The company was transparent and sincere about their desire to improve reporting but admitted they needed help understanding the complexities.

Aikya was able to work with the company's management and share examples of ESG reporting best practice, as well as provide guidance on disclosure and the types of targets that the business should be setting. After a few months of discussion and feedback, we were pleased to note that in June 2021 the company published its inaugural sustainability report, which included robust environmental targets.

Principle 10: Collaboration

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

During this reporting year, we have not partaken in any collaborative engagements with other investors/asset owners. That said, we have identified and connected with a number of sustainability related initiatives (Please refer to Principle 4 for details) in order to enhance our understanding and stay abreast of key sustainability issues; these initiatives also open the door for future collaborative engagement efforts with like-minded investors.

In addition to the area of broad engagement activities described under Principle 4, we have also identified the following themes for Aikya's future collaborative efforts.

Product Nutrition: We have selected 15 emerging market food/beverage companies and then studied the evolution of the nutritional quality of their product portfolios, and how is it linked to better business performance over last 20 years. In collaboration a few external research providers, we are in the process of developing a whole body of research work to show that companies which take the lead in launching healthy products in the market are able to build positive brand image and win market share. We plan to use this research to launch a broad industry-wide engagement to nudge companies towards improving the healthiness of their products.

Board Governance and Diversity: We are conducting an extensive survey across the entire Emerging Markets universe to study whether better diversity and governance at the board level could be linked to better business and stock price performance over the long-term? We intend to use our work to collaborate with other like-minded shareholders and accelerate the positive changes to the board composition of Aikya Portfolio companies.

Principle 11: Escalation

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

As described earlier in this report, Aikya only invests in companies that we deem high quality in terms of their governance, as well as environmental, social, and capital stewardship. Once invested, we prefer long-term productive engagement via direct relationships with investee companies.

Our long holding period and the deep relationships we have cultivated with management teams in Emerging Markets are key sources of advantage for us. We are able to build a sense of partnership with portfolio companies, which, over time, become increasingly open to engagement. Our relationships allow us to discuss critical sustainability issues with top management; positive engagement on such issues becomes a powerful tool for enhancing shareholder value.

In an Emerging Markets context, long-term relationships with key business leaders are extremely important. If we identify an issue that requires engagement, we always try to resolve constructively with the management team. We recognise that engagement takes time; we are willing to speak to management teams a number of times and work with them to reach a solution. However, in instances where our concerns are not addressed, or the company does not respond to an engagement, we may decide to escalate the engagement as per the process below.

Stages of Engagement

Please refer to Principle 2 for more details on our governance processes for stewardship activities. Here we describe various stages an engagement goes through:

Stage 1: Decision to engage/define the scope: As outlined under Principle 9 (Setting of an Engagement Agenda), Aikya analysts draw the engagement agenda with a company based on specific issues they identify during their fundamental research on the company. These agenda items are logged in the company sustainability model and engagement log, with a clearly defined objective and next steps. We have sustainability models and engagement logs for all Aikya Portfolio companies.

Stage 2: Discussion with the company management: We then discuss these issues with a company management team and try to understand what they are doing to assuage our concerns.

a. If the company provides enough evidence that they are addressing our concerns, an analyst then closes the engagement item and marks the item as resolved in the company engagement log.
b. If the company responds, but does not provide a satisfactory answer, we continue to engage further. We may try to speak to our other industry contacts, ex-board members, competitors, etc., in order to better understand company's position in this matter.

c. If the company does not respond, we try to reach out to other members of the company management or try to establish a contact through the company's advisors (brokers).
d. Abstain from voting if this item comes up for proxy voting

Stage 3: Escalation to 'severe' category: If even after multiple discussions an analyst feels that the company is not making much progress on the issue, and the issue is material enough to make a change to our investment case, then the engagement item is escalated to 'severe' category. All engagement items classified as 'severe' are personally pursued by the Chair of the Aikya Stewardship Committee. We may do the following for 'severe' engagement items:

a. Vote against the management team if this item comes up for proxy voting.
b. Write a formal letter to management outlining our concerns and why the management should address this issue as soon as possible.
c. Seek collaboration with other like-minded shareholders and canvass support for the agenda items we are pursuing.
d. Collaborate with an industry body to nudge management towards better behaviour.

Stage 4: Revisit investment case: How management teams respond to our engagement requests offers an invaluable read on their quality. If they do not respond to our engagement requests around important sustainability issues, we revisit our assumptions on the quality of their stewardship and question our investment case. In certain more extreme cases, we may choose to divest shares.

Activity and Outcomes during Year ending June 30th, 2021

Please see below an example of an escalated engagement case study from the reporting period:

Context
We have known this regional conglomerate operating in East Asia for a long time. The company operates consumer businesses in various countries such as China. Indonesia, Malaysia, Vietnam, Singapore, and Hong Kong. While the company has always behaved well towards its minority shareholders, we have serious concerns around a lack of diversity in the senior leadership and the board of the company.

Objective/ Scope of the engagement
Aikya analysts identified a lack of diversity at the board and senior management of the company as an engagement issue. Senior leadership of the company is predominantly European and Male, and we think that the lack of diversity and local managerial talent at the top has seriously impacted their ability to read local market signals and innovate.

Escalation
We engaged with the company on this issue for several years, progressively escalating it through the ranks of the company, until we had a conversation with the CEO on this

topic. In the most recent proxy voting we voted against the proposal to re-elect three members to the board.

Despite our efforts, we reached a conclusion that perhaps the management does not really understand the risks of not having diverse voices at the senior leadership and the board level. And therefore, perhaps our assessment of their quality was questionable?

Outcome

We finally divested shares in the company during the last reporting year, as our engagement efforts failed to make a difference, which led us to question the quality of the management at the top.

Principle 12: Exercising Rights and Responsibilities

Signatories actively exercise their rights and responsibilities.

Our Proxy Voting Policy

As long-term shareholders on behalf of our clients, we consider it important to vote on all proposals at annual and extraordinary general meetings. Prior to casting our votes, the investment team 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 the 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 feel it appropriate to vote against management recommendations, it will usually relate 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.

Proxy Voting Services

We consider proxy voting a key part of our investment process and part of our responsibility as stewards of client assets. As such, we do not outsource any part of the decision-making process. We do, however, utilise an online voting platform that links directly to the fund's custody platform, ensuring that we receive adequate notice of voting opportunities and that we are voting according to the full entitlements of our clients.

Client Requirements

Currently, all of our clients have proxy voting policies that align with our own policy. This allows us to vote 100% of Aikya's assets under management in the same way, in line with the policy outlined above. We remain open to discussions with clients about potential future differences in proxy voting approaches and the potential for directed votes within segregated and pooled accounts.

Stock Lending

Aikya does not participate in stock lending.

Activity and Outcomes during Year ending June 30th, 2021

Aikya voted 100% of proxy votes, except where there was a practical impediment to doing so, for example when the relevant Power of Attorney was not in place in particular markets.

Below are our voting statistics for the 12-month reporting period. We can provide details on any specific company votes and rationales on request:

2021

Proxy Voting (12m to June 30th, 2021)	
Total proposals	450
Total number of companies	35
Total votes cast (as % of proposals) *	100%
Votes cast against management	3

* except where there was a practical impediment to voting

Resolution Category	Aikya votes
Audit & financial report approvals/appointments	67
Board/committee composition	183
Capital management & allocation	101
Changes to statutes	35
Remuneration	45
Shareholder meeting administration	8
Other	11
	450

Please refer to Principle 11 for an explanation of our choice to vote against management on three items during the period.

During this reporting year there have been no resolutions that have significantly altered operations or senior leadership, and we have not been asked to vote in any shareholder proposals, with the exception being some companies where large external shareholders regularly elect one director as their representative.

Contacts

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