

1. STEWARDSHIP CODE

1.1 Introduction

SEBI vide its circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019 ("**the Circular**"), introduced the Stewardship Code (the "**Code**") for all categories of AIFs in relation to their investments in listed equities.

The Code describes the approach taken by the Fund to stewardship based on the principles indicated by SEBI vide circular CIR/CFD/CMD1/168/2019 dated December 24, 2019. The objective of the Code is to enhance the quality of engagement between institutional investors and the Portfolio Companies to help improve corporate governance practices with a view to enhance long term returns to the Investors of the Fund.

Stewardship responsibilities include monitoring and actively engaging with Portfolio Companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

1.2 Implementation of the Code (Principle 1: Stewardship Responsibilities):

1.2.1 **Role of the Key Persons:** The Key Persons of the Fund are responsible to safeguard interests of the Investors. Hence, the Key Persons shall be responsible for overall implementation and execution of this Code. The stewardship responsibilities of the Fund shall be:

- (a) The investment team while making investment decisions shall take into consideration various aspects of a Portfolio Company, such as the Portfolio Companies' policies, strategies, financials, business processes, operational processes, environmental social governance (ESG) risks, practices on corporate governances (including board structure, remuneration, etc), industry-level monitoring and possible impact on the Portfolio Companies and such other information as relevant for the purpose of making investment decisions in the Portfolio Company;
- (b) To ensure active engagements with the Portfolio Companies;

- (c) To exercise voting rights in the Portfolio Companies in a manner consistent with the best interests of the investors; and
- (d) To have a clear policy on conflict of interest to ensure that the interest of the Investors of the Fund is placed before the interest of any other person/ entity.

1.2.2 **Outsourcing:** In case the Fund utilises the services of any external service providers to support the investment team in discharging its stewardship responsibilities the scope of its services that it proposes to avail will be specified clearly with the outsourced entity. The Fund shall put in place requisite monitoring mechanism on the outsourced entity in relation to the outsourced functions to ensure that its stewardship responsibilities under this Code are duly discharged in the interest of the investors and also ensure that the same are in line with SEBI Guidelines on Outsourcing of Activities by Intermediaries issued by SEBI vide its circular no. CIR/MIRSD/24/2011 dated December 15, 2011.

1.2.3 **Training and review:** A training program shall be formulated for training of the Key Persons, investment team and such other employees who are involved for ensuring compliance of the Code. The training sessions shall be conducted to explain the responsibility under the Code along with amendments, if any. This may be done through external agency or internal team presentations.

1.2.4 **Disclosure on website:** This Code, as amended from time to time, will be disclosed on the website of the Fund. Any change or modification to the Code will also be disclosed on the website from time to time.

1.3 **Management of Conflict of Interest:**

1.3.1 **Conflict of interest policy:** The Fund has adopted a separate policy for managing Conflict of Interest to ensure that the interest of contributors of the Fund is protected. Further, with a view to identify and to mitigate the conflict of interest. The brief description of the conflict of interest policy is provided herein:

1.3.2 **Potential Conflict of Interest:** The Manager may, on behalf of the Fund, enter into or approve a transaction or arrangement or any investment in relation to investment, divestments and investment banking,

notwithstanding that the Manager or sponsor or their partners, or any other committee or governance board established by or of the Manager for the Fund (such transaction being a “**Conflicted Transaction**” and each such party being an “**Interested Party**”) has any direct or indirect interest or concern in such Conflicted Transaction so as to place the Interested Party in a position where such relationship conflicts with his fiduciary duty to the Fund, save that (i) such conflicts of interest shall be disclosed to the Trustee and the Investors; (ii) such Interested Party shall not vote in any decision relating to such Conflicted Transaction; and (iii) if such conflict relates to investment in an ‘Associate’ as defined under the AIF Regulations the same shall require the approval of Super Majority of Investors. Examples of conflicts of interest include:

- (a) any direct or indirect beneficial ownership of any securities of such Portfolio Company or the Prospect Company;
- (b) any contemplated transaction by such Supervised Person in such securities of the Portfolio Company or Prospect Company;
- (c) any position with the Portfolio Company or the Prospect Company of the securities or its affiliates;
- (d) difficulties in allocation of management time and other resources by Interested Parties among the Fund and other projects and clients;
- (e) purchase from and sale of investments to, the Interested Parties upon receipt of approval from the Super Majority of Investors; and
- (f) any Immediate Family Relationship between the Supervised Person and a partner, officer, director (or other similar position) of the Portfolio Company or the Prospect Company.

Further, while dealing with the Portfolio Company, the Fund may be faced with a conflict of interest, inter alia, in the following instances, where the Portfolio Company is (i) an Associate of the Fund as per AIF Regulations; (ii) a group company or affiliate of the Manager; (iii) a nominee of the Fund has been appointed as a director of the Portfolio Company.

1.3.3 **Approach for resolution of conflict of interest:** In addition to the provisions set out in the Policy Manual, the Fund shall establish

procedures for managing and mitigating conflict of interest which shall include but are not limited to the following:

- (a) **Confidential Information:** In order to protect the interest of the Fund or Portfolio Company or Prospect Company, the Fund shall enter into appropriate confidentiality agreements with necessary persons to restrict the flow of information to certain individuals and prevent improper access to information.
- (b) **Arm's Length Transactions:** The Fund will take appropriate measures intended to ensure that it or any Supervised Persons will not unfairly profit from any transaction and all such transactions shall strictly be done on an arm's length basis.

1.3.4 **Review of Conflict of Interest policy:** The Policy shall be reviewed on a periodic basis.

1.4 **Monitoring of Portfolio Companies:**

1.4.1 **Areas of monitoring:** The investment team is responsible for the periodic monitoring of the Portfolio Companies' performance. The investment team shall periodically monitor the Portfolio Companies in the following areas including but not limited to:

- (a) Business strategy;
- (b) Financial performance and capital structure;
- (c) Practices on corporate governance especially include board composition (with respect to independence and diversity), size and quality (with respect to leadership and credentials of the board members), director remuneration and related party transactions;
- (d) Shareholder rights, including minority shareholders and their rights, shareholders' grievances etc.

1.4.2 **Level of monitoring for Portfolio Companies:** The level and degree of monitoring / engagement may vary depending upon the materiality of investments. The investment team shall determine the level of monitoring for the Portfolio Companies. The investment team may identify situations where active engagement with the Portfolio Companies may not be necessary, especially if the investment is insignificant, etc. In case of

Portfolio Companies where larger investments are made, higher levels of monitoring may be conducted.

1.4.3 Process of monitoring: The investment team as part of its monitoring process may use publicly available information i.e., corporate disclosures on the exchanges viz. quarterly results, annual reports, corporate announcements etc. It may also engage with the management of the Portfolio Companies on periodic basis. Further, it can also review the sell side research and industry information, etc. The members of investment team shall, where feasible, attend meetings/conference calls conducted by the management of the Portfolio Company. The Fund may be required to seek certain information from the Portfolio Company which may be necessary for monitoring purposes, however such information could be construed as insider information. In all such instances, the investment team shall ensure due compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015 and Prevention of Insider Trading Policy of the Fund as well as ensure that the Fund does not breach the prohibitions or restrictions on insider trading.

1.5 Intervention in the Portfolio Companies:

The Fund would intervene in the Portfolio Companies, on a case-to-case basis, wherever it deems necessary, and the materiality of the investment makes it possible for the Fund to do so. The decision in this regard will be taken by the investment team.

1.5.1 Identifying possible circumstances of active intervention:

- (a) Continuous lack of financial performance;
- (b) Lack of corporate governance practices;
- (c) Inequitable treatment of shareholders;
- (d) Lawsuits/ litigation;
- (e) Non-compliance with regulations; or
- (f) Any other important issue.

1.5.2 Mechanism of intervention and regular assessment of outcome of intervention:

- (a) **Step 1: Engagement:** The investment team member shall, if possible, have one-to-one meetings with the management team, engagement with specific teams etc. to resolve any concerns including steps to be taken to mitigate such concerns.

- (b) **Step 2: Re-Engagement:** In the event the management of the Portfolio Company fails to undertake constructive steps to resolve the concerns raised within a reasonable timeframe post initial engagement of the investment team members of the Fund, the investment team members shall reinitiate the engagement with the management to resolve its concerns and reiterate the conclusions or the plans of action decided at the prior meetings, if possible. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon, if possible.
- (c) **Step 3: Escalation:** In case there is no progress despite Step 1 and Step 2, the Fund may escalate the matter for (i) discussion with the board of directors of the Portfolio Company; (ii) discussion at the general meeting of the Portfolio Company. If there is no response or action taken by the Portfolio Company despite the efforts, the Fund may approach the relevant authorities governing the Portfolio Company.
- (d) **Step 4: Collaboration:** The Fund may also consider collaboration with other institutional investors, professional/industry associations and any other entities where it deems necessary on a case-by-case basis when it believes that collaborative actions would be an effective means by which investors can exercise appropriate influence.
- (e) **Step 5: Voting against Issue:** The Fund may consider voting against if it disagrees with management, observes improper governance practices or when above mentioned modes of intervention fails.

1.5.3 **Investments in Portfolio Company:** In case the Fund's intervention is not successful, it will not automatically result in the exit of investment in the Portfolio Company. The decision to purchase more equity or sell all or part of the total investment in the Portfolio Company will be made in the best interest of the investors, considering prevailing valuations and other market factors.

1.6 **Voting related matters:**

1.6.1 **Exercise of voting rights:** The Fund shall exercise voting rights in the Portfolio Company in the best interest of the investors. The voting rights

shall include vote for and against and abstention from exercising the rights.

1.6.2 **General Guidelines for exercise of voting rights:** The Fund decision either to vote or abstain from voting or vote against any of the proposal of the Portfolio Companies shall be made taking into consideration any possible implications on the Fund's interest. The Fund shall keep the interest of the Fund as paramount.

1.6.3 **Use of proxy advisors:** The Fund may at its discretion avail the services of the proxy advisors to support in decisions of voting in Portfolio Companies. The Fund shall not be bound by the recommendations of the proxy advisors; the Fund can exercise its own discretion in relation to voting decision.

1.7 **Reporting:**

1.7.1 The Fund shall place a report on its compliance status with the Circular on an annual basis and share the report as a part of annual intimation to its investors.