



POLICY ON DISCHARGE OF STEWARDSHIP RESPONSIBILITIES

Nuvama Asset Management Limited

Version 1.2

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(Reviewed by Board of Directors in May 2022)

A. Title:

Policy on discharge of Stewardship Responsibilities ("Policy")

B. Applicability

The Policy is applicable to Nuvama Asset Management Limited (Formerly known as ESL Securities Limited) ("the Company") as an investment manager to the Schemes of Alternative Investment Fund (AIF), in relation to their investment in listed equities.

C. Objective:

The importance of institutional investors in capital markets across the world is increasing the world over; they are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies. Such activities are commonly referred to as 'Stewardship Responsibilities' of the institutional investors and are intended to protect their clients' wealth. Such increased engagement is also seen as an important step towards improved corporate governance in the investee companies and gives a greater fillip to the protection of the interest of investors in such companies.

Securities and Exchange Board of India (SEBI) vide its circular CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 has issued Guidelines on Stewardship Code for all Mutual Funds and all categories of Alternative Investment Fund (AIFs), in relation to their investment in listed equities ("Code").

As per the aforesaid SEBI circular, institutional investor like Mutual Fund, AIFs etc. should have a comprehensive policy on the discharge of their stewardship responsibilities. This Policy documents the guiding principles to be adopted and followed by the Equity Investment team ("Investment team") of the Company. The Policy is prepared on the basis of principles enumerated in the said SEBI circular. The Code shall act as guidance to the Investment team for discharging the stewardship responsibility, however, this policy is not intended to curtail / restrict the fund management activities of the Company. The Investment team shall always be at liberty to decide their dealing

strategies, keeping in mind the investment objectives of the scheme, though the same may conflict with the principles specified in the Policy.

D. Responsibility

The roles and responsibilities are defined as below:

Investment team:

The respective Investment team shall be responsible for ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and manner of this intervention. The Investment team shall also be responsible for identifying situations which may give rise to a conflict of interest. The Investment team may seek guidance from the Company's Governance and Advisory Committee in matters pertaining to intervention in investee companies or conflict of interest ("Governance and Advisory Committee").

Compliance Team:

The Compliance Team shall be responsible for disclosures pertaining to stewardship activities including voting reports at a frequency stated under various SEBI circulars. The Compliance team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of investee companies in which conflict of interest, as defined below, has been identified.

E. Implementation / Process as laid down in the Regulation

The term 'investee companies' used in this Policy herein shall mean investee companies in which equity investments are above the threshold limit prescribed by the Governance and Advisory Committee.

Principle 1: *Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.*

The primary stewardship responsibilities of the Company shall be:

- i. To take into consideration, in the investment process, the investee companies' policies and practices on corporate governance matters;
- ii. To seek productive engagement with the investee companies;
- iii. To exercise voting rights in the investee companies in a manner consistent with

- the best interests of its Investor, and;
- iv. To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

The Company shall fulfil its stewardship responsibilities in the following manner:

- i. The Company shall frame procedures on voting to deal with the exercise of the Company's voting rights in investee companies.
- ii. The Company shall appropriately engage and intervene on any issue/matter which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value. The matter may include performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.
- iii. The Company shall endeavor to work collectively with other institutional investors and support collaborative engagements organised by representative bodies and others
- iv. The Policy will be reviewed and updated by the Investment teams as and when there are regulatory requirement or business need and recommend the same for approval by the Board of the Company. However, the Policy will be reviewed by the Board of the Company, at least annually. The updated Policy will be publicly disclosed on the Company's website, if any.
- v. The Investment team and the respective Committees will be provided necessary training explaining the responsibility under the Code along with amendments, if any. This may be done through external agency or internal team presentations. The respective Committees are empowered to decide or amend the frequency and modalities of training under this Policy.

Principle 2: *Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.*

The Company should handle the matters carefully when the interests of clients or beneficiaries diverge from each other. The Company will ensure that the interest of the client/beneficiary is placed before the interest of the entity.

The Company has detailed out below the process of identifying and managing conflict of

interest.

Avoiding conflict of interest: The Company shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest situation, the Governance and Advisory Committee will be consulted and suitable steps to avoid such conflict of interest will be taken.

Identifying conflict of interest: While dealing with investee companies, the Company may be faced with various conflict of interest situations. Given below are a few instances where conflict of interest may arise:

1. The investee company is an associate of the Company;
2. The investee company is also an institutional client of the Company;
3. The Company is a lender to the investee company;
4. The investee company is a partner or holds an interest, in the overall business or is a distributor for the Company;
5. A nominee of the Company has been appointed as a director or a key managerial person of the investee company;
6. The Company and the investee company are part of same group (fellow subsidiary);
7. A director or a key managerial person of the Company has a personal interest in the investee company;
8. The Investee Company is a seller whose products or services are important to the business of Company and/or its affiliates;
9. The Investee Company is an entity participating in the distribution of investment products advised or administered by the Company and/or any of its affiliates.

In order to manage/avoid the above conflicts of interest, the investment team will undertake the following steps:

1. A conflict of interest in relation to an investee company shall be highlighted to the management of the Company / Governance and Advisory Committee.
2. The Investment teams shall comply with the Policy for Prevention of Insider Trading of the Company.
3. Rationale for voting on each shareholder resolution shall be recorded by the

Company. The Company may consider abstaining from voting when the Company and the investee company are part of the same group, unless the Company records rationale for voting on such resolutions.

4. Rationale behind a new investment decision shall be recorded.
5. The Company may consider blanket bans on investments in certain cases
6. Client relations/ sales functions should not be involved in voting decision making function.
7. Employee should recuse from decision making in case of the they are having any actual/ potential conflict of interest in the transaction.
8. The Company should maintain records of decisions taken to address such conflicts.

Principle 3: *Institutional investors should monitor their investee companies*

The Company while monitoring of the investee companies will consider the following:

1. The Investment team will monitor following areas which shall, *inter-alia*, include:
 - a. Company strategy and performance - operational, financial etc.
 - b. Industry-level monitoring and possible impact on the investee companies.
 - c. Quality of company management, board, leadership etc.
 - d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
 - e. Risks, including Environmental, Social and Governance (ESG) risks
 - f. Shareholder rights, their grievances etc.
 - g. Succession planning
2. The respective Committees of the Company shall set a threshold level, primarily based on the materiality of the issue and the size of the exposure to the individual investee company, beyond which the exposure to the investee company will be deemed to be 'meaningful'. The threshold level will help in determining the level of engagement, monitoring and intervention with the investee company. The respective Committees are empowered to modify the meaningful threshold level, as deem appropriate.

3. The Investment team shall engage with investee companies as part of the research process that leads to an investment in an investee company, which might include meetings with management.

Once an investment is made, the Investment team shall continue to monitor each investee company. As a part of this process, the fund manager/ analysts shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Manager/ analysts may also use publicly available information, sell side research and industry information.

4. While dealing with the investee company, the Company shall ensure compliance its Policy on Prohibition of Insider Trading.
5. The Company may nominate its representative on the Board of an investee company, wherever it deems necessary.
6. The Management/respective Committees shall review the monitoring and engagement activities being carried out by the Investment team on an annual basis.

Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

The Company shall intervene if, in its opinion, any act/omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, related party transactions etc.,.

The Investment team may consider intervening in matters below the thresholds as given in Principle 3, if in the reasonable opinion of the Investment team/Management of the Company/ Governance and Advisory Committee, the issue involved may adversely impact the overall corporate governance or the Company's investment.

In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless if in the reasonable opinion of the Investment team/Management of the Company/Governance and Advisory Committee and there are other factors which warrants intervention.

The matrix that should be followed by the Company for intervention is as follows:

1. Communication: The Investment team shall communicate to the investee company's management about any concerns including steps to be taken to mitigate such concerns.
2. Engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Company within a reasonable timeframe, the Company shall take all reasonable steps to engage with the management of the investee company for constructive resolution of the Company's concerns.
3. Collaboration: The Company shall also consider collaboration with other institutional investors, professional/industry associations (eg. AMFI), regulators, and any other entities where it deems necessary and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. The Company may approach, or may be approached by, other institutional shareholders to provide a joint representation to the investee companies to address specific concerns. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert. The Company shall determine individually its position on any issue requiring collaborative engagement
4. Escalation: In case there is no progress despite the first three steps, the Investment team shall escalate the matter to the Management/Governance and Advisory Committee. If the Management/ Committee decide to escalate, the Company shall engage with the Board of Directors of the investee company (through a formal written communication) and elaborate on the concerns. The Company may also consider discussing the issues at the General Body meeting of the investee company. The Company may vote against decisions at appropriate forum.

Principle 5: *Institutional investors should have a clear policy on voting and disclosure of voting activity.*

To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the investee companies, it is critical that the institutional investors take their own voting decisions in the investee company after in-depth analysis rather than blindly supporting the management decisions. As an Investment Manager, it has a fiduciary responsibility of the Company to act in the best interest of the investor of the Fund/Scheme of AIF. This responsibility also includes exercising voting rights towards the securities in which the Schemes of AIF have invested (“Investee Company”), either at the general meetings of the Investee Company(s) or through postal ballots, in the best interest of the investor.

The Company will manage voting rights with the same level of care and skill as it manages the funds. In general, the Company does not have the intention to participate directly or indirectly in the management of the companies but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its investor.

Matters generally coming up for voting:

Following are some of the general matters that come up for voting either at the general meetings of the Investee Company(s) or through postal ballots:

- Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions;
- Changes to capital structure, including increases and decreases of capital and preferred stock issuances;
- Appointment, remuneration, retirement and removal of Directors;
- Stock option plans and other management compensation issues;
- Changes to the Memorandum and Article of Association of the Company;
- Social and corporate responsibility issues;
- Appointment and remuneration of Statutory Auditors;
- Transactions with Related Party(ies);
- Other Corporate governance matters; and
- Other issues affecting the interest of the shareholders and investor of fund in particular.

Philosophy of Voting Policy:

Voting Right means, the right of a Shareholder to vote on matters of corporate policy and other resolutions. The exercise of voting rights will require regular monitoring of financial performance, corporate governance matters, industry performance and subsequent consideration of the potential impact of a vote on the value of the securities of the issuer held by the schemes of AIF. In order to discharge its obligations under this policy, the Company will access and utilize research on management performance and corporate governance issues of the Investee Company(ies), drawn either from its in-house Fund Management team or from an independent consultants/firms amongst others.

The Schemes are entitled to exercise the voting rights attached to the shares of the Investee Company (ies). The shareholders do not necessarily need to be physically present at the site of the Investee company's annual general meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as NSDL, CSDL, etc. or by appointing a Proxy.

In connection herewith, the Company will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments made by the schemes. This may imply that the Company may decide to refrain from exercising its voting rights if considered appropriate.

In cases where investments are in group companies of the Company or where the Investee Companies have substantial investments in the Schemes of AIF, the Company shall specifically review all voting proposals, routine as well as non-routine and take decisions with respect to voting on such proposals in the best interest of the contributors. The Company may also decide to abstain from such voting, if it deems fit to do so in the best interest of the contributors or if there is a conflict of interest.

Fund assets will only be voted in the exclusive interest of the investor, without taking into consideration the interest of the businesses of Nuvama Wealth Management Group Companies. The strict separation of the Company's asset management activities from other

activities within Nuvama Wealth Management Group prevents access of the Company to insider and unpublished price sensitive information for which use and/or disclosure of such information could generate conflicts of interest. As a result, Nuvama Wealth Management Group companies inter se may cast different votes on a voting issue.

The Company supports resolutions that promote the functioning of boards in the best interests of the shareholders, resolutions that change the state of incorporation, merger etc. which are in the shareholders interest. Issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, would be addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. The Company reserves the right to vote against any resolution that goes against the interest of its investor. The Company in such other matters may decide to abstain from voting if it has insufficient information or there is conflict of interest or the Company does not have a clear stance on the proposal.

The decision regarding voting for a particular resolution, i.e. whether the Company will vote for/against or abstain, will be essentially taken by the CIO/Fund Managers of the respective Schemes. The CEO/respective Committees will be consulted, if need be.

The CIO/Fund Manager may also seek the analysis and recommendations of a research firm or a proxy voting advisory service agencies to aid such decision(s) and also to assist in exercising of votes.

Voting Procedure:

The decision of the respective CIO/Fund Managers on voting for shareholders resolution(s) to be passed at the general meeting or through postal ballot of the investee company, shall be executed by the Company by casting votes through the e-voting facility provided by NSDL/CDSL, by physically attending the meeting or voting through proxy.

However, in case the e-voting facility is not offered by any Investee Company or the Company is not in a position to cast its vote through e-voting, any of the following

personnel/ representatives of the Company or an externally authorised agency such as a custodian would be delegated the responsibility for exercising the physical votes by the CEO or Fund Managers:

1. Fund Manager (s)
2. Research Analysts
3. Head – Compliance
4. Head-Operations
5. Representative of an externally authorized agency such as the Custodian

A report on votes exercised by the Company and the rationale recorded for each voting decision will be placed before the Board of Director of the Company from time to time to review that the Company has voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate.

Although the Company will generally vote in accordance with the Policy, there may be circumstances where the Company may believe it is in the best interests of the Company to vote differently than in the manner contemplated by the guidelines. Hence, the Company may deviate from these guidelines which it determines that the deviation is necessary to protect the interests of the contributors. The ultimate decision as to the manner in which the Company's representatives / proxies will vote rests with the Company.

The Company may take the help of a proxy voting advisory services for providing recommendations in order to assist the Fund Managers in the decision making process.

The Company will make following disclosure to investor in respect of votings exercised by it:

- a. Details of actual voting for every proposed resolution in investee companies i.e. *For, Against or Abstain*
- b. Rationale for voting

Manner of disclosure:

- a. Disclosed in the Annual Report of the Schemes
- b. ~~Half yearly~~ Quarterly disclosure on the Company's website

Principle 6: *Institutional investors should report periodically on their stewardship activities.*

The Company will report to their investors/ beneficiaries periodically on how it has fulfilled its stewardship responsibilities in an easy-to-understand format.

The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the Company to sell a holding when it is in the best interest of the investors/beneficiaries.

Company shall report periodically on their stewardship activities in the following manner:

The Company will disclose on its website the implementation of the principles enlisted in the Policy. The format of disclosure will be approved by the respective Committees and is subject to regular updates.

Disclosures on the votes cast by the Company for all the resolutions put forth by the investee companies for shareholders' approval will be published on ~~half yearly~~quarterly basis, as required by prevailing SEBI guidelines.

This Policy, as amended from time to time, will be disclosed on the website of the Company along with other public disclosures. Any change or modification to the Policy will also be disclosed at the time of updating it on the website.

The Company in addition to the disclosure on its website as specified above shall also circulate to Contributors a status report for every financial year, as part of annual intimation to the investors. The report shall inter alia include details indicating the compliance/ any variances with the principles laid down in this Policy.

F. Effective date

This Policy shall be effective from the date of launch of the first AIF scheme by the Company.