

MOPE Investment Advisors Private Limited

STEWARDSHIP POLICY

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Version Details

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Executive Summary of the Stewardship Policy:

- Securities Exchange Board of India (“SEBI”) vide its circular dated December 24, 2019 (“Circular”), introduced the stewardship code to be adopted and implemented by all categories of alternative investment funds (“AIFs”) and mutual funds, in relation to their investment in listed equity.

- **Important Points of the Policy are set out below:**

- 1. Discharge of stewardship responsibilities:**

Stewardship activities include monitoring and engaging with investee companies on matters such as performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

- 2. Identifying and Managing Conflicts of Interest:**

This principle aims at identifying and managing conflicts of interest in order to take all reasonable steps to protect and enhance the interest of investors of the Fund

- 3. Monitoring the investee companies:**

MOPE’s Investment Team will regularly monitor the investee companies in which it invests by analysing public disclosures and taking relevant opportunities to meet with the management, other executive staff and non-executive directors of such investee companies.

The Investment Team may review the threshold level beyond which the exposure to the investee company would be considered for higher level of monitoring under this principle. As of the date of the Policy, the threshold stands at an investment amount of the Fund in an investee company having voting rights of equals to or more than 5% in the shares of an investee company (“**Threshold Level**”). However, the Investment Team may also consider intervening where the investment is below the Threshold Level, depending upon the materiality of the issue.

- 4. Intervention in the investee companies:**

Investment Team of MOPE may intervene on act/omission/concerns of the investee company, on case to case basis, to protect the value of investment and interests of the Unitholders of the Fund.

- 5. Voting and disclosure of voting activity:**

The voting to be done by exercising own independent judgement, acting in the best interest of the Fund and its unitholders.

The responsibility/decision of casting votes vests with the Investment Team. Further, as prescribed in the Circular; annual disclosure in relation to voting will be made on the website of MOPE (<https://motilalosalpe.com>).

- 6. Periodically Report / Disclosure on the stewardship activities:**

MOPE will periodically disclose the report on implementation of every principle as mentioned in the Circular and the responsibilities discharged in relation to implementation of this Policy. Further, this Policy will be placed on the website of MOPE (<https://motilalosalpe.com>) as part of the public disclosure and be updated periodically.

- 7. Training to Investment Team:**

MOPE will conduct internal training and/or discussions with/for Investment Team on this Policy, at least on an annual basis.

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1. Introduction

1.1 Background:

Securities Exchange Board of India (“SEBI”) vide its circular dated December 24, 2019 (“Circular”), introduced the stewardship code to be adopted and implemented by all mutual funds and all categories of alternative investment funds (“AIFs”), in relation to their investment in listed equity.

It is a principles-based framework that assists institutional investors in fulfilling their responsibilities to protect and enhance the value of their clients and beneficiaries. It broadly lays down the principles and guidelines to monitor and engage with the investee companies on various matters including performance, strategy, corporate governance, material environmental, social and governance (ESG) opportunities and risk, capital structure and exercising voting rights on shareholder resolutions of investee companies.

1.2 Objective:

MOPE Investment Advisors Private Limited (“MOPE”) being an investment manager of AIFs, recognises its stewardship responsibilities and regularly reviews the activities of the AIFs. Therefore, MOPE hereby proposes to set out and adopt this stewardship code in the form of a ‘Stewardship Policy’ (“Policy”). This Policy has been drafted based on the 6 (six) principles laid down in the Circular in relation to investment in listed equities.

1.3 Applicability:

This Policy documents the guiding principles to be adopted and followed by the investment team responsible for making investments for the AIFs specified below in listed equity of investee companies (“Investment Team”):

- India Business Excellence Fund - III
- All the other AIFs managed or proposed to be managed by MOPE and/or its affiliates

The aforementioned funds shall individually be referred to as “Fund” and collectively as “Funds” in this Policy.

1.4 Review and approval of the Policy:

This Policy will be reviewed and be updated periodically by the fund administration team along with the Investment Team of MOPE and will be approved by Managing Director & CEO of MOPE at least annually or as and when required.

2. Policy Requirements:

To formulate a comprehensive policy detailing the manner in which the Fund intends to fulfil its stewardship responsibilities in relation to its investment in listed equities and disclose the same publicly. Further, AIFs are expected to shoulder greater responsibility to protect the interest of their investors/beneficiaries by enhancing monitoring and engagement with their listed investee companies.

The principles of the Policy are set out below:

2.1 Discharge of stewardship responsibilities:

Stewardship activities include monitoring and engaging with investee companies on matters such as performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. These activities should form an integral part of the selection of investments as well as the on-going engagement, monitoring and communication with investee companies. MOPE will be taking the following steps in this regard:

- The Investment Team will be responsible for monitoring and engaging with the companies the Funds invest in, taking into consideration matters such as operational or financial performance, strategy, material environmental, social, and governance (ESG) opportunities or risk, capital structure, corporate culture and corporate governance including but not limited to board structure, remunerations to key managerial persons, appointment of auditors, etc.
- The Investment Team may from time to time hold meetings with the management of such companies in which they actively invest and those which are under consideration, as appropriate.

The services of the external service providers such as advisors, consultants, investment bankers may be used from time to time for investment or divestment matters, however, the ultimate decisions will be taken by the Investment Team.

2.2 Identifying and Managing Conflicts of Interest:

This principle aims at identifying and managing conflicts of interest in order to take all reasonable steps to protect and enhance the interest of unitholders of the Fund.

While dealing with the listed investee companies, there may be instances where a potential conflict of interest may be identified between the interests of shareholders of the investee company and the Funds' unitholders' interest. MOPE has the Board approved Conflict of Interest Policy in place.

2.3 Monitoring the investee companies:

MOPE's Investment Team will regularly monitor the investee companies in which it invests by analysing public disclosures and taking relevant opportunities to meet with the management, other executive staff and non-executive directors of such investee companies.

The Investment Team will from time to time as and when appropriate hold meetings with the management of the investee companies, in relation to their investment in listed equity.

As part of the monitoring process, MOPE aims to fulfil its stewardship responsibilities by:

- Satisfying itself that the investee company's management and governance structures are effective;

- Assessing the investee company's operational and financial performance, leadership effectiveness, succession planning, quality of board and management of the investee company, corporate governance reporting, related party transactions and other parameters; and
- If deemed appropriate, attending and/or voting at the general meetings of the investee companies

In addition to the above matters, Investment Team may also consider the investee company's approach to risk including environment, social and economic matters. Monitoring on areas like succession planning, environmental issues will be undertaken by MOPE on a 'best effort basis'.

The Investment Team may review the threshold level beyond which the exposure to the investee company would be considered for higher level of monitoring under this principle. As of the date of the Policy, the threshold stands at an investment amount of the Fund in an investee company having voting rights of equals to or more than 5% in the shares of an investee company ("**Threshold Level**").

The Threshold Level may be amended by the Investment Team or investment committee of the Fund as and when required.

However, if the investment in any listed equity enables the Fund to have less than the Threshold Level then the Investment Team, at its sole discretion depending upon the materiality of the issue, may decide to not actively get involved with the investee companies.

Further, Investment Team will take into consideration the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, including any amendments thereto, and Insider Trading Policy of MOFSL group ("**Insider Trading Provisions**") while seeking and receiving information from the investee companies for the purpose of monitoring under this Policy. Such, insider information will be dealt with utmost care and precaution and in accordance with the provisions specified in the Insider Trading Provisions.

2.4 Intervention in the investee companies:

Investment Team of MOPE may intervene on act/omission/concerns of the investee company, on case to case basis, to protect the value of investment and interests of the Unitholders of the Fund.

The level of intervention with the investee companies' management will vary, depending upon a number of factors, including: the size of the investment in the investee company, the size of the investee company, its location and its business activities.

Circumstances for intervention may, *inter alia*, include poor financial performance of the investee company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation or other critical issues etc.

The Investment Team may intervene if the investment in the investee company is above the Threshold Level or any other threshold level as defined by the Investment Team or investment committee of the Fund depending on the seriousness of the issue or if the circumstances so demand. However, the Investment Team can decide to intervene in companies where the investment is below the Threshold Level or in case of a passive investment, depending on the seriousness of the issue or if the circumstances so demand.

The escalation matrix to be followed by the Investment Team will be as follows:

Communications - The Investment Team will communicate to the investee company's management about any concerns of the investee company or any concern of the Fund, as an investor, including steps to be taken to mitigate such concerns.

Meeting or Discussions - If concerns regarding an investee company's approach or decisions arise, meetings or discussions would, if appropriate, take place on a confidential basis with a view to resolve the issue constructively and where possible as part of the Investment Team's ongoing dialogue.

Escalation - If dissatisfied with the response of the investee company, Investment Team after having requisite discussions with the investment committee of the Fund, may escalate the matter to the board of directors of the investee company.

The Investment Team's decision to engage with the investee companies would depend upon a number of factors. The companies in which a significant stake is held by the Fund and the Fund intends to maintain a holding for the long-term would be considered as a high priority engagement, together with those where a reasonable probability is believed that the investee company's management team will enter into constructive dialogue with the Investment Team.

Investment team will perform regular assessment of the outcomes of such interventions, if any.

2.5 Collaboration with other institutional investors:

MOPE/Fund may choose to engage with the investee company through consultations with other institutional investors as for the issues that require larger engagement with the investee company.

In circumstances where MOPE's approach to engage with management of investee company is not achieving the required level of discussion or success or where the unitholders' interests is at risk to a sufficient degree, MOPE may act in conjunction with other institutional investors. For such situations, other investors or formal or informal groups, as appropriate, may be consulted.

The decision to collaborate on investee company specific matters will be judged on a case by case basis and only when Investment Team believes collaborative actions would be an effective means by which investors can exercise appropriate influence.

Further, the act of collaboration with other institutional investors will not be deemed to be an act of collusion, joint venture or persons acting in concert.

2.6 Voting and disclosure of voting activity:

Exercising the voting rights is a core part of the stewardship activity and broader responsible investment approach. The voting has to be done by exercising own independent judgement, acting in the best interest of the Fund and its unitholders.

Fund / MOPE shall exercise votes in the direction of improving the economic value of the portfolio and protecting the rights of the unitholders considering the factors specified below.

We hereby set out our voting guidelines, on how the voting rights will be exercised. These guidelines set out the approach on key voting issues and engagement activity. It is not exhaustive / compulsive

and is complemented by a number of tailored voting frameworks to reflect the approach in specific matters:

- Corporate governance matters / Corporate actions:

MOPE may support resolutions that change the state of incorporation, merger, demerger, scheme of arrangement, corporate actions/restructuring (such as dividend, buy back, split, bonus issue, rights issue, etc.) and other corporate restructuring which are in the interest of the Fund and/or unitholders. However, MOPE may vote against resolutions pertaining to takeover by an acquirer or other changes resulting in excessive dilution of existing shareholder value etc. which are against the interest of the unit holder.

- Management compensation

The goal of MOPE is to support compensation arrangements that are tied to long-term corporate performance and shareholder value. These arrangements should induce management to purchase and hold equity in the investee company to better align management's interests with those of shareholders. Stock option plans that are overly generous or excessively dilutive to other shareholders should not be supported.

- Social and corporate responsibility matters:

MOPE recognizes and supports the need/decisions of reporting/filing to government, demands for greater disclosures, decisions related to corporate social responsibilities, employee welfare, environmental benefits, benefits to the community and the general public.

- General Matters:

MOPE will generally support matters such as approval of accounts, distribution of dividends, election / removal of directors, KMPs, auditors and the approval of the recommended their remuneration / compensation, which does not seem to be irrational/suspicious.

MOPE would support resolutions that promote the functioning of boards in best interests of shareholders. Specific decision on a particular resolution i.e. to support, oppose or abstain from voting, will be taken on a case-to-case basis placing focus on the potential impact of the vote on shareholder value and interests of the unitholders of the Fund at large. The Fund/MOPE reserves the right to vote against any resolution that is contrary to the interest of its unit holders. MOPE may also at its discretion choose to abstain from participating in any resolution and hold a neutral stance, should the concerning issue be of no major relevance for the shareholder value and/or unitholders' interest. The ultimate decision as to the manner in way Fund will vote rests with MOPE, keeping in view at all points of time the best interest of unitholders of the Fund.

In line with the above objectives, the responsibility/decision of casting votes vests with the Investment Team. Where a decision of voting on a resolution is arrived then any of the authorised persons of MOPE or any other person appointed as proxy will cast the vote on the said resolution.

Further, as prescribed in the Circular; annual disclosure in relation to voting will be placed on the website of MOPE (<https://motilalosalpe.com>).

3. Periodically Report / Disclosure on the stewardship activities:

In addition to the regular fulfilment of their stewardship activities, Fund may periodically disclose the report on implementation of principles as mentioned in the Circular and the responsibilities discharged in relation to implementation of this Policy. Further, this Policy will be placed on the website of MOPE (<https://motilalosalpe.com>) as part of the public disclosure and be updated periodically.

4. Training to Investment Team:

MOPE as an investment manager of the Fund believes that, a training or reasonable guidance for Investment Team members involved in implementation of this Policy is important and crucial. Therefore, it will conduct internal training and/or discussions with/for Investment Team on this Policy, at least on an annual basis.
