

Stewardship Code

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1. Background & Purpose:

Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019 has prescribed stewardship principles to be adopted and implemented by all Mutual Funds (MF) and all categories of Alternative Investment Funds (AIF), in relation to their investment in listed equity.

IIFL Asset Management Limited ('IIFL AMC') acts as an investment manager to scheme(s) launched under IIFL Mutual Fund ('IIFL MF'), IIFL Venture Fund (Category I – Alternative Investment Fund), IIFL Private Equity Fund (Category II – Alternative Investment Fund) and IIFL Opportunities Fund (Category III – Alternative Investment Fund) (collectively known as 'IIFL AIF') and IIFL Real Estate Investment Trust (Real Estate Investment Trust). IIFLAMC is also registered as a Portfolio Manager with SEBI and as an Investment Adviser with SEC, US.

IIFL MF and IIFL AIF invests in listed equities in accordance with the investment objective of the respective scheme and Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 and Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

The Stewardship code (Code) is formulated to broadly lay 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, etc.

The Code is approved by the Board of Directors of IIFL AMC and IIFL Trustee Limited (Trustee to IIFL MF & IIFL AIF) and shall be reviewed at least once in a year.

2. Effective Date: July 01, 2020.

3. Guiding Principle(s) of the Code:

The Code enable(s) to formulate a guiding principle to carry out stewardship activities, including the following Principles:

- a. a comprehensive policy and guiding principles to fulfill the stewardship responsibilities
- b. managing conflict of interest to ensure investor(s) interest is placed first
- c. continuous monitoring of listed portfolio companies in which equity investments have been made
- d. identification of circumstances and the manner of intervention for regular assessment of portfolio companies
- e. participation in voting and disclosure of voting activities
- f. periodical reporting of stewardship activities.

4. Investment Stewardship Committee (ISC) & it's responsibilities:

ISC consisting of Chief Investment Officer, Compliance Officer(MF), Compliance Officer(AIF), Risk Officer and Fund Manager(s) of concerning Scheme(s) will be jointly

engaged in overseeing the implementation of the Stewardship Code and the CIO shall be determining authority for deciding the ISC members.

ISC shall carry out Stewardship activities for those portfolio company(s), where listed equity investments exceed 2% of the combined NET AUM of IIFL MF and IIFL AIF.

Stewardship activities shall be carried out only for the investment in listed securities by the schemes of IIFL MF/ IIFL AIF.

5. Detailed Policy & Stewardship Principles:

Towards fulfillment of stewardship activities, ISC shall abide by this Code and shall be guided by following principles:

a) Policy and guiding principles to fulfill the stewardship responsibilities:

- i. take into consideration, the corporate governance practices of investee companies;
- ii. enhance investor value through productive engagement with investee companies;
- iii. vote and engage with investee companies on matters including environmental, social and governance principles;

ISC may fulfil the purpose through:

- i. Voting on shareholders' resolutions, with a view to enhance value creation for the investors and the investee companies
- ii. Using the services of external agencies (such as custodians/ banks etc.) wherever deemed fit to discharge the duties
- iii. advocating corporate governance practices, as a driver of value creation
- iv. Working collectively with other institutional investors and supporting collaborative engagements organised by representative bodies and others
- v. Conducting internal training(s) of ISC members and other personnel assisting in implementation of the Stewardship Code

b) Managing conflict of interest to ensure investor(s) interest is placed first:

A. Identification of Conflicts:

While carrying out portfolio investments, IIFL MF & IIFL AIF may be faced with a conflict of interest, particularly relating to:

- i. IIFL AMC and the investee company are part of same group
- ii. The Investee Company is an associate of IIFL AMC.
- iii. The investee company is an institutional investor of IIFL MF/IIFL AIF.
- iv. The investee company is a distributor of products / services offered by IIFL AMC.
- v. The investee company is a large vendor of IIFL AMC.
- vi. The Company is a lender to the IIFL MF/ IIFL AIF Scheme(s).
- vii. Officials of Investment department a personal interest in the investee company
- viii. A nominee of IIFL AMC has been appointed as a director or a key managerial person of the investee company.
- ix. Anything other than the above, which may give rise to conflict of interest

B. Management of Conflicts:

- i. investment decisions pertaining to the schemes of IIFL Mutual Fund and IIFL Alternative Investment Funds should be in accordance with the investment objectives of the relevant schemes
- ii. Investment of schemes assets in associates should be at arm's length, with proper rationale, within necessary regulatory limits and approvals, if any, required under the regulations
- iii. investment team members should raise with Conflict Resolution Advisory Board, any matter(s) with potential conflict of interest.
- iv. There will be a clear segregation of the voting function and sales functions. No sales team member shall form part of the Proxy Voting Committee.
- v. Member of the investment team who is interested or have any association with the Investee Company will not be allowed to participate in Proxy Voting related decision.
- vi. Rationale for voting on each shareholder resolution shall be recorded as per the voting policy.
- vii. Detailed rationale behind every new investment decision shall be recorded.
- viii. For all other possible instances of conflict, Conflict Advisory board may be referred for guidance / decision

c) Continuous monitoring of listed portfolio companies in which equity investments have been made:

ISC shall ensure that portfolio companies are regularly monitored, through regular review, interactions with investee company's management, be part of industry calls of the management investee company, research material and other means of control measures.

ISC may determine the level of monitoring depending upon the quantum of investment, sector to which the company belong(s) and certain special situations which require greater monitoring;

In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions will be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the investors of IIFL MF and IIFL AIF.

While dealing with the investee company, IIFL AMC shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

The Investment Committee shall review the monitoring and engagement activities being carried out by the ISC on an annual basis.

IIFL AMC may rely on the following sources for monitoring activities of investee companies

- a. Bloomberg
- b. Sell side broker Reports
- c. Quarterly Results (On calls)
- d. Annual Reports
- e. Publicly available information includes exchange filings
- f. Management Interaction includes conference calls

g. Proxy voting agency Recommendations

IIFL AMC will endeavor to have at least one meeting with the investee company in a year. However, there can be investee companies where the management is not accessible or not accessible at appropriate levels or cases where the investment team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources including participation in AGM/Voting on Shareholders' resolution or engagement through external agencies.

d) **Identification of circumstances and the manner of intervention for regular assessment of portfolio companies:**

IIFL AMC 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 insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, or any other related matters. ISC may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Committee, the issue involved may adversely impact the overall corporate governance or the IIFL AMC's investment.

The escalation matrix followed by IIFL AMC for intervention shall be as follows:

- i. **Communication:** The ISC shall communicate to the investee company's management about any concerns of IIFL AMC including steps to be taken to mitigate such concerns. If the matter comes to voting, IIFL AMC shall exercise its voting rights.
- ii. **Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by IIFL AMC within a reasonable timeframe, IIFL AMC shall take all reasonable steps to engage with the management of the investee company to resolve IIFL AMC's concerns.
- iii. **Collaboration:** IIFL AMC shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.
- iv. **Escalation:** In case there is no progress despite the first three steps, ISC shall escalate the matter to the Investment Committee. If the Investment Committee decides to escalate, the ISC shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. The ISC may also consider discussing the issues at the general meeting of the investee company.
- v. **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the above-mentioned steps, IIFL AMC may approach the relevant authorities or can consider recourse to other legal actions.

e) Participation in voting and disclosure of voting activities:

IIFL AMC shall continue to follow the Voting Policy formulated pursuant to SEBI circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010, along with the various circulars issued by the SEBI from time to time, while discharging this principle.

The key areas that ISC should consider for the purpose of voting will be related to corporate governance and matters related to future prospects of the investee companies including Director appointments and compensation, corporate restructuring and related party transactions. ISC may also consider additional factors, including recommendations made by any proxy advisory firms while voting.

IIFL AMC shall maintain a record of its voting on investee company resolutions along with rationale. The voting policy shall be disclosed on IIFL AMC's website www.iiflamc.com.

f) Periodical reporting of stewardship activities:

IIFL AMC shall follow the reporting requirements in accordance with the guidelines set out by SEBI and as may be modified from time to time.

IIFL AMC shall disclose the report on implementation of every Principle as enumerated in the policy on its website on an annual basis.

Also, the report on implementation of every Principle shall form part of annual intimation to the unitholders.
