

## STEWARDSHIP CODE

### INTRODUCTION

The Securities and Exchange Board of India (“SEBI”) introduced the Stewardship Code for all categories of Alternative Investment Funds (AIFs) in relation to their investments in listed equities. This was outlined in SEBI Circular (Ref.: CIR/CFD/CMD1/168/2019) dated 24 December 2019.

The Stewardship Code emphasizes the responsibility of institutional investors to engage constructively with the companies they invest in, with a goal to enhance medium- to long-term investment returns for their clients and beneficiaries. This is achieved by improving and fostering the investee companies' corporate value and sustainable growth through purposeful engagement, based on a deep understanding of the companies and their business environments.

The Stewardship Code provides a framework for good practices in engaging with investee companies and defines principles that institutional investors can follow to fulfil their stewardship responsibilities, ensuring due regard for both their clients and the investee companies.

This code is formulated based on the stewardship principles laid down by SEBI:

<b>Principle 1:</b>	Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities, publicly disclose it, and review and update it periodically.
<b>Principle 2:</b>	Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
<b>Principle 3:</b>	Institutional Investors should monitor their investee companies.
<b>Principle 4:</b>	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.
<b>Principle 5:</b>	Institutional Investors should have a clear policy on voting and disclosure of voting activity.
<b>Principle 6:</b>	Institutional Investors should report periodically on their stewardship activities.

In line with this circular, Vaikarya Change LLP (“Vaikarya”) has formulated this Stewardship Code as approved by the Board of Partners.

### PRINCIPLE 1 - STEWARDSHIP RESPONSIBILITIES

Vaikarya, as part of its investment activities, invests in listed equities of various investee companies. This policy aims to define the kind of engagement required to be maintained with the investee companies. Such engagement may be through detailed discussions with management, interaction with investee company representatives, voting in shareholders meetings etc.

An illustrative list of engagements on various matters is given below.

- Strategy and Performance of the investee companies (operational, financial, etc.)
- Industry-level monitoring and possible impact on the investee companies
- Corporate Governance matters, merger/acquisition, other corporate restructuring, and anti-takeover provisions.
- Changes in capital structure, including increases and decreases of capital, preferred stock issuances, buy-back, dividend etc.,
- Stock Option Plans and Other Managerial Compensation issues.
- Appointment and Removal of Directors, Statutory Auditors etc.
- Risk including environmental, social, and governance (ESG) opportunities or risks
- Any other issue that may affect the interest of Shareholders.

Vaikarya will endeavour to engage actively with the investee companies where Vaikarya hold 5% or more of its outstanding equity shares.

## PRINCIPLE 2 - MANAGING CONFLICT OF INTEREST

Vaikarya may be subjected to certain conflicts of interest relating to the directors, employees, and affiliates of Vaikarya. A few examples of potential conflicts of interest are outlined below. However, the examples listed below are not intended to be exhaustive, and other types of conflicts of interest may arise during the course of business:

- the interests of Vaikarya in conflict with those of a client;
- the interests of one client of Vaikarya in conflict with those of another client of Vaikarya.

In accordance with the general principles of dealing with Conflict of Interest, Vaikarya shall;

- at all times maintain high standards of integrity in the conduct of their business;
- ensure fair treatment of their clients and not discriminate amongst them;
- ensure that their personal interest does not, at any time conflict with their duty to their clients and client's
- interest always takes primacy in their advice, investment decisions and transactions;
- make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;

- endeavour to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/unit to another, etc.;
- place appropriate restrictions on transactions in securities while handling a mandate of client in respect of such security so as to avoid any conflict;
- not deal in securities while in possession of material unpublished price sensitive information;
- not to communicate the material unpublished price sensitive information while dealing in securities on behalf of others;
- not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

Vaikarya, its partners, and employees shall abide by these requirements, which include compliance with the controls, policies, and procedures laid down to effectively manage such Conflicts of Interest in line with SEBI Regulations.

### **PRINCIPLE 3 - MONITORING INVESTEE COMPANIES**

Vaikarya shall be responsible for monitoring the investee companies' performance.

Vaikarya may consider the investee companies' leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important while making investment decisions.

Vaikarya may 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, Vaikarya may continue to monitor each investee company. As a part of this process, the fund manager/ analysts may, where feasible, attend meetings/Conference calls conducted by the management of the investee company.

### **PRINCIPLE 4 INTERVENTION IN THE INVESTEE COMPANIES**

Vaikarya may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility. The circumstances for intervention may, *inter alia*, include poor financial performance of the company, corporate governance related practices, ESG risks, leadership issues, litigation, Inequitable treatment of shareholders, Poor business strategy, Non-compliance with regulations etc. The procedure which may be undertaken for intervention is as follows:

- Engagement: Sending letters to individual investee companies, one-to-one meetings with the management team, engagement with specific teams and so on to resolve any concerns including steps to be taken to mitigate such concerns.
- Re-Engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns within a reasonable timeframe, Vaikarya may take all reasonable steps to re-engage with the management to resolve its concerns.
- Collaboration: Vaikarya may also consider collaboration with other institutional investors, professional associations, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.
- Escalation: In case there is no progress despite the above three steps, Vaikarya may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, Vaikarya may take appropriate steps to resolve the concerns including exiting its investments.
- Voting: Vaikarya may vote against or abstain from voting in case the governance practices of the investee company are improper.
- Legal Recourse: Vaikarya may take a legal recourse against a company if deemed necessary instead of exiting its investment.

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

## **PRINCIPLE 5 - VOTING AND DISCLOSURE OF VOTING ACTIVITY**

The decision of Vaikarya on voting for shareholders resolution(s) shall be executed by casting votes through the e-voting facility or 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 representatives of the Company or an externally authorised agency such as a custodian would be delegated the responsibility for exercising the physical votes.

Vaikarya's general policy is to abstain from voting proxies unless Vaikarya believes the proxy voting will materially affect shareholder value and it is being done in the best interest of the Investors. Proxy votes generally will be cast in favour of proposals that maintain or strengthen the interests of Investors, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of investors.

Vaikarya will monitor the potential conflicts of interest with respect to proxy voting as a result of personal relationships, significant investor relationships or special circumstances that may arise

during the conduct of Vaikarya's business. If a conflict of interest is identified, Vaikarya will act according to the Conflict of Interest principles stated above.

## **PRINCIPLE 6 – POLICY MANAGEMENT, DISCLOSURE AND REPORTING**

The Chief Investment Officer (CIO) and the Compliance Officer (CO) are jointly responsible for monitoring the effectiveness of this Stewardship Code.

Vaikarya will disclose all the activities undertaken in regard to the stewardship policy and discharging its responsibilities, on its website or any other suitable means as part of disclosure on an annual basis.

## **POLICY REVIEW AND AMENDMENTS**

This Code will be reviewed periodically by the Compliance Officer to ensure alignment with SEBI norms and evolving regulatory requirements. Any amendments to the Code will be approved by the Board of Partners and communicated to all Personnel.

## DOCUMENT VERSION CONTROL

Date	Details	Version	Approved by
30 August 2024	Policy introduction	1.0	Board of Partners