

# STEWARDSHIP CODE

## March 24, 2020

### Indiabulls Asset Management Company Ltd (IBAMC)

#### INTRODUCTION

Indiabulls Asset Management Company Limited (IBAMC) acts as an investment manager to schemes of Indiabulls Mutual Fund (IBMF), Indiabulls AIF and registered as a Portfolio Manager. SEBI vide its circular no. CIR/CFD/CMDI/168/2019 dated December 24, 2019 (“SEBI Circular”) has mandated all Mutual Funds to follow the Stewardship Code in relations to the schemes’ investments in listed equities of companies (Investee Companies). The principles espoused in the Stewardship Code (“Code”) will govern few aspects of our fund management activities namely monitoring of investee companies, our engagement with investee companies and voting on resolutions of the investee companies and the disclosures of proxy voting.

This Code documents the guiding principles to be adopted and followed by the Investment team managing the equity schemes of IBAMC and this Code will be referred to as the 'Stewardship Code' for IBMF. The Code 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 code is not intended to curtail / restrict the fund management activities of the IBAMC. 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 Code.

This Stewardship Code has to be read in conjunction with the Voting Policy of the IBMF.

This policy is applicable for Mutual Fund, Alternative Investment Fund and Portfolio Management Services activities undertaken by Indiabulls Asset Management Company Ltd.

#### **Principle 1: Stewardship Responsibilities**

IBAMC stands by the principles of responsible investment manager and uses a robust framework for every stock covered by the AMC.

The processes to identify, monitor and engage with the investee companies are already in place at the AMC. The primary stewardship responsibilities undertaken are as follows:

1. **Monitoring:** IBAMC shall continue to monitor every investee company on its financial performance, short, mid and long-term business strategy and Corporate Governance. The AMC shall also continue to monitor the Social risks and initiatives taken by the investee companies to manage the risks effectively along with any other financial anomalies, irregularities or controversies that the investee company may be involved in.
2. **Engagement:** IBAMC shall continue to engage with the investee companies in the following manner :
  - Meetings with management, board or relevant personnel to identify, deliberate on and find possible solutions to the issues

- Continued discussions to formalize a better process to fill existing gaps

**Voting:** IBAMC considers voting to be an important shareholder right and a valuable tool in the engagement process and endeavours to vote on all board resolutions of investee companies, which are critical for protecting and enhancing the investors' interests. IBAMC would exercise its voting right only in a company where its shareholding (across all schemes taken together) exceeds 0.25% of fully paid up and voting share capital. These voting decisions and the process undertaken to arrive at the decision is uploaded on the AMC's website (Proxy Voting Policy).

3. This Stewardship Code highlights IBAMC's stewardship responsibilities. The Code will be made available online and will be reviewed on a periodic basis.

## **Principle 2: Managing conflicts of interest while fulfilling stewardship responsibilities and public dissemination**

IBAMC is part of a large and diversified financial services group with many affiliates and related companies. From time to time, we may face conflicts of interest in relation to our stewardship responsibilities. However, our approach will be to always to keep in mind interest of our investors uppermost. The voting for investee companies' resolutions may entail some instances of conflict of interest between the interests of shareholders of IBAMC and the unitholders' interests. A conflict of interest may be actual, potential or perceived and may be financial or nonfinancial. As a rule, in all cases of conflicts of interests, the voting decisions of IBAMC will be based on the best interests of the investors.

Potential conflicts of interest may arise in certain situations, such as:

- The Investee Company is a client of Investment Manager and/or its affiliates;
- In certain cases, wherein any affiliates of the Investment Manager are lender to the Investee Company;
- The Investee Company is a seller whose products or services are important to the business of Investment Manager and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Investment Manager and/or any of its affiliates.
- IBAMC and Investee Company are part of the same group or are associates;

IBAMC will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of unit holders.

To avoid conflict of interest, following procedures have been put in place

- The voting decision will be guided by the approved voting policy, which is published on our website.
- There is a clear segregation of voting function and sales function / client relations.
- Investment team will be responsible for voting on resolutions and will be guided by the voting policy for all resolutions.
- The situation wherein the conflict of interest is not covered by the voting policy, decision on such instances will be taken on case to case basis.

### **Principle 3: Monitoring of Investee Companies**

- The Investment team is responsible for the monitoring of the investee companies' performance. The investment team considers the investee companies' business strategy, financial performance, capital structure, leadership effectiveness, succession planning, corporate governance, disclosures and other parameters they consider important while making investment decisions. Corporate Governance parameters 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. Any instances of violation of shareholder rights and their grievances are also actively monitored.
- The investment team carries out financial analysis of the investee companies, engages with the senior management/investor relations officials or any other management personnel/promoters of the investee companies as part of the research process that could lead to an investment in an investee company.
- Once an investment is made, the investment team continues to monitor each investee company. As a part of this process, the fund manager/analysts, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Managers and analysts also use publicly available information, sell side research and industry information.

### **Principle 4: Intervention in the Investee companies**

IBAMC would intervene in its investee companies, on a case-to-case basis, wherever it deems necessary. The decision in this regard will be taken by the Investment Team.

#### **1. Identifying possible circumstances of active intervention:**

- Poor financial performance of a company
- Poor corporate governance practices
- Leadership issues
- Inequitable treatment of shareholders
- Poor business strategy
- h. Lawsuits/Litigations
- Poor disclosures (insufficient as per regulatory requirement)
- j. Non-compliance with regulations
- k. Any other important issue

#### **2. Mechanism of intervention and regular assessment of outcome of intervention**

a. **Engagement:** 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. **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised within a reasonable timeframe, reasonable steps shall be initiated to re-engage with the management to resolve its concerns.

c. **Collaboration:** IBAMC shall also consider collaboration with other institutional investors, professional associations like AMFI, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.

d. **Escalation:** In case there is no progress despite the above three steps, investment team may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, the investment team may take appropriate steps to resolve the concerns including exiting its investments.

e. **Voting:** IBAMC will vote against or abstain from voting in case the governance practices of the investee company are improper.

### **Principle 5: Policy on voting and disclosure of voting activity**

The Investment team shall follow the guidelines for voting on the resolutions of the investee company as specified in the Voting Policy.

### **Principle 6: Periodic reporting and disclosures**

IBAMC will disclose on website the implementation of the principles enlisted in the Code.

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

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

The Company in addition to the disclosure on its website as specified above shall also circulate to unitholders 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 Code.