

**Kotak Investment Advisors Limited**



**STEWARDSHIP CODE**

**July 2020**

| Version | Date                      | Amendment Comments   |
|---------|---------------------------|--|
| 1.0     | 1 <sup>st</sup> July 2020 | Initial Document- Approved by KIAL at its board meeting held on 24 <sup>th</sup> June 2020 |
| 1.1     |                           | Amendment in Principle 1 (b)(4)  |

## **PREAMBLE AND SCOPE OF POLICY ON STEWARDSHIP RESPONSIBILITIES:**

Kotak Investment Advisors Limited (“**KIAL**” or “**Company**”) acts as an investment manager for funds set up in the alternate assets domain in India, which include private equity funds, venture capital funds, funds focused on investments in real estate and infrastructure companies, funds for private investments in public entities and funds focused on investment in stressed and distressed assets (hereinafter individually referred to as the “**Fund**” and collectively referred to as the “**Funds**”). While making any decision with respect to investment in any portfolio company, the investment committee of each of the Funds (“**Investment Committee**”) adheres to the constitution, documents, agreements, side letters executed by the Fund with its investors (“**Fund Documents**”), SEBI (Alternative Investment Funds) Regulations, 2012, circulars issued by SEBI and other regulatory authorities and other applicable laws. This Stewardship Code (“**Policy**”) is framed to discharge stewardship responsibilities in accordance with the guidelines issued by Securities and Exchange Board of India (SEBI) vide its circular ref CIR / CFD / CMD1 / 168/ 2019 dated December 24, 2019 and has to be read in conjunction with the Voting Policy and Conflict Management Policy of the Company.

As a part of this activity, the investment management team is expected to monitor and engage with the investee companies/ portfolio companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. and any other issues in such a manner that the interest of the investors is protected.

This Policy shall include responsibilities to be undertaken by the Company and the processes that the Company intends to follow in order to safeguard the interest of the investors of various funds managed by it.

### **Applicability:**

This Policy will be applicable to alternative investment funds managed by the Company which has investment in listed equities having threshold set out in Annexure A (“**Threshold**”).

### **Effective Date:**

This Policy will be effective from July 01, 2020 and shall be amended by the Committee of Directors (“**COD**”)<sup>1</sup> from time to time.

### **Stewardship Principles:**

In an endeavor to safeguard the interest of the investors, the Company shall work towards fulfilling and complying with stewardship principles listed below:

#### **Principle 1: Formulation of a comprehensive policy on the discharge of stewardship responsibilities, publicly disclose it, review and update it periodically**

The Company has framed this Policy which shall provide guidance on discharge of the following stewardship responsibilities:

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<sup>1</sup> The committee constituted by the Board of the Company vide resolution dated October 16, 2018

**a) Primary stewardship responsibilities:**

The primary stewardship responsibilities shall be as follows:

- i) Include monitoring and actively engaging with investee companies on various matters including performance (operational, financial etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.
- ii) To vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
- iii) To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies

**b) Discharge of stewardship responsibilities:**

The Company shall fulfil its stewardship responsibilities by way of below activities:

1. The Company shall continue to follow the voting policy formulated and any modifications/amendments thereto ("**Voting Policy**") to deal with the exercise of the Company's voting rights in investee companies.
2. The Company shall appropriately monitor and engage on an issue which may potentially affect an investee company's ability to deliver long term sustainable performance and value for investments exceeding the Threshold.
3. The Company shall endeavour to work collectively with other institutional investors and support collaborative engagements organized by representative bodies and others for investments exceeding the Threshold.
4. The Company shall disclose compliance to the Policy and the principles therein on its website on annual basis.

**c) Oversight of the Stewardship activities:**

The Investment Committee of each Fund shall ensure that there is an effective oversight of the Company's stewardship activities. The Investment Committee of each Fund shall be responsible for the overall implementation and execution of this Policy.

The Investment Committee is also entrusted with the power to engage or use the services of any external service providers to support the Investment Committee or Investment team in discharging its stewardship responsibilities.

**d) Disclosure of this Policy:**

This Policy and amendment thereto, shall be disclosed on the website of KIAL

**e) Training of employees for effective implementation of the Policy**

KIAL shall organise appropriate training programs for its employees involved in implementation of the principles stated herein and shall educate these employees on the contents of the Policy.

## **Principle 2: Conflicts of interest management policy**

The Company has adopted a distinct policy for prevention and management of potential conflicts of interest. The Company shall abide by the principles of conflicts of interest set out therein.

## **Principle 3: Monitoring of investee companies.**

KIAL shall monitor the investee companies in the following manner:

1. KIAL shall monitor the investee companies falling within the scope of the Threshold.
2. The respective investment teams of various Funds shall supervise and monitor investee companies in respect of important aspects which are listed below:
  - 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.
3. The Investment Committee shall review the monitoring and engagement activities being carried out by the investment team on an annual basis.
4. Applicability of insider trading regulations: The Company shall comply with the provisions under the SEBI (Prohibition of Insider Trading) Regulations, 2015 and shall also include in the "grey list", all stocks in which investment is made/to be made.

## **Principle 4: Intervention and collaboration with investee companies**

### Intervention Policy

For any investments which are significantly above the Threshold, the Company may 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 disclosure, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans / strategy or any other related matters. In such cases, the Investment team may deem it necessary to escalate the engagement on particular issue. The aspects of the intervention will be determined on a case to case basis by the Investment team and referred to the Investment Committee for advice and guidance.

The Company may consider intervening in matters below the Threshold, if in the opinion of the Investment Committee, the issue involved may adversely impact the overall corporate governance or the investment made by the Fund.

The mechanism followed by the Company for intervention shall include:

- 1) Communication & engagement: The Company, on behalf of the Funds, shall communicate and engage with the investee company's management about any concerns of the Company including steps to be taken to mitigate such concerns. If the matter comes to voting, the Company shall exercise its voting rights.

- 2) **Collaboration:** The Company shall endeavor to engage with other funds while undertaking any voting and also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.
- 3) **Escalation:** In case there is no progress despite the first two steps, the Company shall escalate the matter to the Investment Committee. If the Investment Committee decides to escalate, the Company shall engage with the board 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 meeting of the investee company.

In deciding whether or not to act collectively with other investors, KIAL shall take into account a range of factors. In particular, these include:

- Whether or not collective engagement is likely to be more effective than unilateral engagement
- The degree to which the objectives of the other investors are aligned to our own
- The need for confidentiality
- The context of the investee company and, especially, the wider economy.

**Principle 5: Voting and disclosure of voting activity along with a clear policy on voting and disclosure of voting activity.**

The Company has adopted a policy on voting and disclosure of voting activity in portfolio companies.

**Principle 6: Reporting requirements**

KIAL shall follow the reporting requirements accordance with the guidelines set out by SEBI and shall also include the following:

- 1) The Company shall publicly disclose a report on voting undertaken as per the requirement of the Voting Policy and other reports as may be prescribed by KIAL from time to time
- 2) The Company shall publicly disclose the updated Policy as and when modified.
- 3) The Company shall also place a report on its compliance status with the stewardship principles of SEBI on an annual basis and share the report as a part of annual intimation to its clients/ beneficiaries.

Any deviation from this policy must be approved by the COD and the policy may be reviewed annually by the Board as the Board deems fit in the wake of changing business environment.

**DISCLAIMER: KINDLY NOTE THAT THE COMPLIANCE WITH THE AFORESAID PRINCIPLES DOES NOT CONSTITUTE AN INVITATION TO MANAGE THE AFFAIRS OF THE COMPANY OR PRECLUDE A DECISION OF THE COMPANY TO SELL A HOLDING WHEN IT IS IN THE BEST INTEREST OF CLIENTS OR BENEFICIARIES.**

**ANNEXURE A**

This Policy shall apply to listed portfolio companies wherein equity investment made by any of the Funds managed by KIAL exceeds 5% of the total paid up capital of such portfolio company.