

Motilal Oswal Asset Management Company Limited

Stewardship Code

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1.0 Introduction

Motilal Oswal Asset Management Company Limited (MOAMC) is the investment manager for the schemes of Motilal Oswal Mutual Fund (MOMF)/Alternative Investment Funds (AIF). The purpose of the Stewardship Code is to protect the interest of the unitholders who have invested in the scheme/s of MOMF/Alternative Investment Funds. Stewardship responsibilities includes 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 & Governance (ESG) opportunities or risks, capital structure and other related issues.

The policy describes the approach taken by MOAMC to stewardship based on the principles indicated by SEBI vide circular CIR/CFD/CMD1/168/2019 dated December 24, 2019. The objective of the Code is to enhance the quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns to the unitholders.

2.0 Compliance with the Stewardship Code

MOAMC is committed to sound principles of corporate governance and efficient exercise of the governance responsibilities in the context of their activities as investment manager.

The Stewardship Code is based on the following 6 guidelines:

- a. Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.
- b. Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities, publicly disclose it.
- c. Institutional Investors should monitor their investee companies.
- d. Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other Institutional Investors, where required, to preserve the interest of the ultimate investors, which should be disclosed.
- e. Institutional Investors should have a clear policy on voting and disclosure of voting activity.
- f. Institutional Investors should report periodically on their stewardship responsibilities.

3.0 Areas of Monitoring

3.1 MOAMC shall endeavor to monitor mainly the following aspects of the investee companies:

- i. Company strategy and performance - Operational, financial etc.
- ii. Industry-level monitoring and possible impact on the investee companies
- iii. Appointment and removal of statutory auditor including their remuneration.
- iv. Quality of company management, board, leadership etc.
- v. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
- vi. Risks, including Environmental, Social and Governance (ESG) risks
- vii. Capital Restructuring, merger, amalgamation, etc.
- viii. Shareholders rights, their grievances etc.
- ix. Any downgrades of debt instrument of investee company

3.2 MOAMC may use all or any of the below to monitor the investee companies:

- i. Publicly available information/reports.
- ii. Management meetings.
- iii. Research reports and industry information.
- iv. Periodic engagement with Management through email/ calls/ meetings.

Disclaimer – It may be noted that Management will rely on the information published under statute and reserves its discretion to act on the basis of such statutory information.

4.0 The Guidelines

4.1 Guideline 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

At MOAMC, we believe responsible investment is inherently part of MOAMC's investment process and is consistent with our fiduciary duty to manage investments in the best interest of investors.

The key principles for discharge of Stewardship responsibilities shall be the following:

- i. The Investment team shall be responsible for ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and manner of this intervention. The investment team shall also be responsible for identifying situations which may give rise to a conflict of interest.
- ii. Oversight of Stewardship activities shall be undertaken by the Investment Committee of MOMF.

- iii. The Investment Committee shall be responsible for monitoring and implementation of the Stewardship Code at its quarterly meetings.
- iv. The threshold level would be **more than 2% of the paid-up share capital of the investee company for all schemes of MOMF and all funds of AIFs.** Beyond this exposure to Investee Company would be considered for review under this policy. However, investment team can decide to also intervene in companies where the investment is below threshold level, considering the seriousness of the issue.

4.2 Guideline 2: Institutional investors should have a clear policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

MOAMC recognizes that there may be potential conflict of interest when MOAMC will have to take decision for voting on Resolutions of entities including the group companies with which it may have some relationship, and in such circumstances as explained under para 4.2(a), MOAMC will review all voting proposals, routine as well as non-routine, and perform its duties in a responsible manner keeping in mind the best interests of the unitholders, in line with the regulatory requirement in the best possible manner.

The fund managers will undertake reasonable steps to avoid actual or potential conflict of interest situations while investing the Scheme Funds. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, they shall consult with Chief Executive Officer, Head – Risk and Head - Compliance.

4.2 (a) Identification of Conflict- Some of the key instances of conflict could be as under:

- i. MOAMC and the investee company are part of the same group.
- ii. The investee company has significant investments in schemes of MOMF or is a customer of its sponsors or group companies or associates.
- iii. Any of MO group companies or associates is a service provider or partner in some aspect of the investee company's business.
- iv. Investee Company is critical vendor/ service provider of MOAMC

4.2 (b) Manner of managing conflict of interest:

- i. All employees will comply with the disclosure requirement of SEBI Regulations on dealing in securities by them.
- ii. Rationale for voting on each shareholder resolution shall be recorded and reported to the Investment Committee.
- iii. Employees, officers and their relatives (as defined in employee dealing policy) will disclose their other appointments/ professional engagement with the

investee companies. Prior approval to be taken from Investment Committee before taking any exposure in such companies. An annual update on the same to be provided by the concerned officer to the Compliance Team by April 30th of every financial year.

Any transaction of Front Running by any employee/officer, directly or indirectly, is strictly prohibited. For this purpose, “Front Running” means any transaction of purchase and/or sale of a security carried by any employee/officer whether for self or for any other person, knowing fully well that the MOMF also intends to purchase and/or sell the same security for the schemes managed by it.

Any transaction of self-dealing by any employee/officer either directly or indirectly, whether alone or in concert with another person is prohibited. For this purpose, “Self-Dealing” means trading in the securities based on price sensitive information to which the employee has access by virtue of his office.

4.3 Guideline 3: Institutional investors should monitor their investee companies

MOAMC engages with the boards and management of investee companies with the objective of maximizing long-term investors’ value. Due to the constantly evolving nature of investee company practices and other circumstances, it is important to note that it may not be possible to identify or address pre-emptively all material or potential risks, although best endeavors will be exercised.

Key areas of monitoring include remuneration, independent and effective boards, environmental and operational risks, and shareholder rights.

Although not common, through our engagement with the investee companies, MOAMC officer may come across price-sensitive information about an investee company that is not otherwise generally available to the public. During interaction with the management of Investee Company, MOAMC shall inform the investee companies to not share any unpublished price sensitive information with it which would make MOAMC an ‘insider’. While dealing with the investee company, compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015 shall be kept in mind.

MOAMC employees are subject to aforesaid SEBI Regulations and Employee dealing policy of MOAMC. Any non-compliance with Insider Trading regulations is reported to the Board of MOAMC, Board of Trustees and SEBI.

4.4 Guideline 4: Intervention in Investee Companies

The Company may intervene on acts/omissions/concerns of Investee Company, on case to case basis, to protect the value of investment. The level of intervention with investee companies’ management may vary, depending on a number of factors, including the size of the investment in the company, the size of the company, its location and its business activities.

The investment team may decide to intervene if the investment in the company is above the threshold level. However, the Investment team could decide to intervene in companies where the investment is below threshold level, depending on the seriousness of the issue.

The Investment team shall communicate to the investee company's management about any concerns of the company including steps to be taken to mitigate their concerns.

If concerns regarding an investee company's approach or decisions arise, initial 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 fund manager's ongoing dialogue.

If dissatisfied with the response of the investee company, fund manager post discussion with Investment Committee may escalate the matter to the Board of Directors of the Investee Company. The fund manager may also consider discussing the issues at the general meeting of the investee company.

If there is no response or action taken by the investee company despite the efforts, MOAMC may approach the relevant authorities governing the investing company.

In case MOAMC intervention is not successful (either fully or partially), it will not automatically result in the exit of investment in the investee company. The decision to purchase more equity or sell all or part of the total investment in the investee company will be made by the Fund Manager keeping Investment Committee informed with rationale.

Collaboration with other institutional investors

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

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

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

4.5 Guideline 5: Institutional investors should have a clear policy on voting and disclosure of voting activity

The present policy of MOAMC on voting and its disclosure is in compliance SEBI circular dated March 15, 2010 and March 24, 2014. The basic philosophy of MOAMC is to support the investee companies' proposals if the same are not detrimental to investors' interest. The team of analyst/fund manager scrutinises each and every proposal and decides to vote in accordance with its merits. The policy is available on our website <https://www.motilaloswalmf.com/>.

4.6 Guideline 6: Institutional investors should report periodically on their stewardship and voting activities

MOAMC shall maintain the records of its stewardship activities. MOAMC shall ensure the following reporting on its website and to the investors:

- i. Disclosure of policy on voting and its disclosure on website.
- ii. Details of voting on quarterly basis on its website and annually in scheme's annual report.
- iii. Publication of this code on its website and report on compliance to the Stewardship Code in scheme annual report.
- iv. Any change in the code or change in any policy pursuant to this code on its website.

5.0 Ownership

This policy is owned by the Investments team who will ensure adherence to the requirements of the policy and maintain all documents for Audit purpose.

6.0 Policy Review

The Policy will be reviewed annually.

7.0 Approval

Investment Committee will recommend any changes in the Stewardship Policy and send to Boards of MOAMC and MOTC for approval.