



SIDBI VENTURE CAPITAL LIMITED

STEWARDSHIP POLICY

JULY 2020



**Stewardship policy for Alternative Investment Funds managed /
to be managed by SVCL, in relation to their investment in listed equities**

1) Background:

SIDBI Venture Capital Limited (SVCL), a company incorporated under the Companies Act, 1956 with corporate identification number U67190MH1999PLC120866 and having its registered office at 1003 & 1004, 10th Floor, The Ambience Court, Plot No 2, Sector 19-D, Vashi, Navi Mumbai – 400 705, is currently the investment manager of five Alternative Investment Funds (AIFs) [viz. Samridhi Fund, TEX Fund, West Bengal MSME VC Fund, Maharashtra State Social Venture Fund and New Horizons Fund], regulated under SEBI (Alternative Investment Funds) Regulations, 2012.

SIDBI Trustee Company Limited (STCL), a company incorporated under the Companies Act, 1956 with corporate identification number U65991MH1999PLC120867 and having its registered office at 1003 & 1004, 10th Floor, The Ambience Court, Plot No 2, Sector 19-D, Vashi, Navi Mumbai – 400 705 is the trustee to the abovesaid AIFs. In terms of the respective Investment Management Agreements entered into between STCL and SVCL, SVCL has been appointed as investment manager to manage and administer the abovesaid AIFs on the terms and conditions contained therein and has appointed, nominated and constituted SVCL as the true and lawful attorney of the abovesaid AIFs to execute and perform all acts and deeds that are necessary for the management of the abovesaid AIFs.

In accordance with SEBI circular (CIR/CFD/CMD1/168/2019) dated December 24, 2019 (**Annexure I**), this policy sets out the framework and guidelines on discharge of the stewardship responsibilities of SVCL and the processes that SVCL intends to follow in order to safeguard the interests of the clients / beneficiaries viz. Contributors / Unitholders of the AIFs managed / to be managed by SVCL.

2) Applicability:

This policy shall apply only to investment in listed equities made by the AIFs managed / to be managed by SVCL.

3) Effective date:

This policy shall come into effect from July 01, 2020 as stipulated by SEBI vide circular (SEBI/HO/CFD/CMD1/CIR/P/2020/55) dated March 30, 2020. Any subsequent material changes in the policy will be effective only post approval of the same by SVCL.

4) Stewardship Principles:

In order to safeguard the interests of the clients / beneficiaries viz. Contributors / Unitholders of the respective AIFs, SVCL intends to work towards fulfilling the objectives of the below listed principles.

a) Principle 1:

Comprehensive policy on the discharge of stewardship responsibilities, public disclosure, review and updating of the same

SVCL's stewardship responsibilities include monitoring and actively engaging with the investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance opportunities or risks, capital structure, etc.

SVCL intends to fulfil its stewardship responsibilities in the following manner.

- SVCL shall appropriately engage with the management of the investee company on any issue which may, potentially, affect an investee company's ability to deliver long-term sustainable performance (operational / financial).
- SVCL shall take into consideration the investee companies' business strategy, policies and practices on corporate governance matters, material environmental, social and governance opportunities or risks, capital structure, etc.
- SVCL shall exercise voting rights in the investee companies in a manner consistent with the best interests of the Contributors / Unitholders of the respective AIFs.
- SVCL shall endeavour to work collectively with other institutional investors, if required for the purpose of discharging its stewardship responsibilities.

SVCL shall also train the personnel involved on implementation of the principles as and when required.

b) Principle 2:

Managing conflicts of interest in fulfilling stewardship responsibilities and public disclosure

The process of identifying and managing conflict of interest shall be as under.

Identifying possible situations where conflict of interest may arise: While dealing with investee companies, SVCL may be faced with a conflict of interest. Given below are a few instances where conflict of interest may arise:

- The investee company is also a client / customer of associates of SVCL viz. SIDBI or its subsidiaries.
- Associates of SVCL are shareholder(s) of the investee company.
- A nominee of its associates has been appointed as a director or a key managerial person of the investee company.
- Investment personnel / Investment committee (IC) members of the respective AIFs having interest in the investee company.

Avoiding conflict of interest: SVCL shall take reasonable steps to avoid actual or potential conflict of interest situations. To manage the above conflicts of interest, SVCL shall ensure the following.

- A conflict of interest situation shall be brought to the notice of the relevant IC for their guidance on the appropriate course of action.
- Investment personnel / IC members of the respective AIFs to recuse from decision making in case they have any actual/ potential conflict of interest in the transaction. This shall be based on appropriate declaration obtained from them.
- Records of minutes of decisions taken to address conflicts shall be maintained.

c) Principle 3:

Monitoring Investee Companies

SVCL shall monitor the investee companies' performance. The areas of monitoring shall, inter-alia, include:

- Company strategy and performance - operational, financial etc.
- Industry-level monitoring and possible impact on the investee companies.
- Quality of company management, board, leadership etc.
- Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.

- Risks, including Environmental, Social and Governance risks.
- Shareholder rights, their grievances etc.

The levels of monitoring shall differ across investee companies depending upon the quantum of investment vis-à-vis total committed capital, nature of industry (highly / thinly regulated) etc as considered important by SVCL.

As part of the monitoring process, SVCL shall endeavour to meet the management / key personnel of the investee companies if needed and SVCL shall, where feasible, attend meetings / conference calls conducted by the management of the investee companies. SVCL may also use publicly available information, sell side research and industry information.

d) Principle 4:

Intervention in Investee Companies & collaboration with other institutional investors

Circumstances for active intervention :

SVCL shall intervene in an investee company on a case to case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibilities. The circumstances for intervention may inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc. The following shall be taken into consideration for active intervention.

- The investment in the investee company should be above the threshold level of 5% of total committed capital of respective AIF.
- SVCL may consider intervening in matters below the thresholds if in the opinion of SVCL, the issue involved requires active intervention.

Manner / mechanism / levels for active intervention :

The manner / mechanism / levels for active intervention shall be as under.

- **Communication:** SVCL shall communicate to the investee company's management about its concerns / issues and seek constructive resolution of the same.
- **Meeting / Discussions:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns / issues raised by SVCL within a reasonable timeframe, SVCL shall take all reasonable steps to meet / discuss with the management of the investee company for constructive resolution of the same.
- **Escalation:** Despite the above, if there has been no progress, SVCL shall escalate the matter to the Board / Directors of the investee company. SVCL may also consider

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discussing the issues at the general meeting of the investee company and / or collaborating with other institutional investors, institutional investor associations and any other entities which it deems necessary.

SVCL shall be at liberty to resort to any level depending upon the concerns / issues involved. Further, during any of the above stage, if the matter comes to voting, SVCL may exercise its voting rights and if required may vote against decisions.

e) Principle 5:

Voting and disclosure of voting activity

SVCL shall keep the interests of the clients / beneficiaries viz. Contributors / Unitholders of the respective AIFs while exercising voting decisions. The mechanisms to be used for voting in resolutions of investee companies shall be decided beforehand by SVCL. SVCL shall maintain a record of its voting on investee company resolutions.

f) Principle 6:

Reporting of stewardship activities

SVCL shall report periodically on its stewardship activities by placing a report on implementation of every principle on its website on an annual basis. SVCL shall also send the report as part of annual intimation to its clients / beneficiaries viz. Contributors / Unitholders of the respective AIFs.

The above Stewardship Policy shall be disclosed on the website of SVCL. Any change or modification to the same will also be disclosed at the time of updating the Policy on the website.
