

VOTING POLICY

OF

CARNELIAN ASSET MANAGEMENT & ADVISORS PVT. LTD.

VERSION 2

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1. Introduction

Carnelian Asset Management & Advisors Private Limited (“Company”) acts as an Investment Manager to SEBI registered Category III Alternative Investment Fund, Carnelian Alternative Investment Trust (“AIF”) bearing registration number IN/AIF3/18-19/0642 and for all its existing and future schemes.

2. Purpose

In terms of SEBI circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, mandated AIFs to have a clear policy on voting and disclosure of voting activity to protect and enhance wealth of unitholders and to improve governance of investee companies. This policy is drafted in pursuance of above referred circular and provides general philosophy, broad guidelines and procedures for exercising voting rights.

This Policy contains the principles that form the basis of all votes. The Company believes that these principles are essential to ensure the long-term performance of the assets/funds managed by the Company.

It is hereby clarified that this Voting Policy shall not supersede or impede upon the inherent powers of the trustee and / or the investment committee as enshrined in the constitution or fund documents of the respective Fund.

For effective representation of the interests of the Funds, Company appoints authorized personnel to exercise voting rights attached to the securities of these portfolio companies at the general meetings, class meetings, debenture holders meeting or through postal ballot or electronically, as the case may be.

3. Philosophy of the Voting Policy

As an investment manager with a delegated fiduciary responsibility towards investors of its Funds, Company believes that it should exercise its right to vote always in the best interests of investors of the Funds managed by it.

Generally, the Funds make investments in portfolio companies as financial investors and day to day affairs / operations of the portfolio companies remain entrusted with the portfolio company's promoters, board of directors and/or management team, unless the fund has taken control of the management of the company by way of holding majority equity. The Funds may have veto rights on certain reserved matters as may be specified in the investment agreements and/or articles of association of the portfolio companies specially in case of Investment in unlisted securities, if allowed by the fund documents.

Kindly note that this Voting Policy attempts to:

- 3.1. promote accountability of portfolio company's promoters, management and board of directors to its shareholders / debenture holders;
- 3.2. align the interests of portfolio company's management with those of shareholders / debenture holders; and
- 3.3. encourage portfolio companies to adopt best practices in terms of their corporate governance.

4. Decision making process

- 4.1. When the Funds make an investment in portfolio companies, Company being the investment manager may execute investment agreement with the concerned unlisted or listed portfolio companies on behalf the Fund. The terms of investment and the rights of the Fund are agreed in such investment agreements. The rights of the Funds are also typically restated in the charter documents of the portfolio companies. These rights inter-alia include veto rights, exit rights, information rights and right to appointment nominee directors/observers. For investment into listed equity shares, no such agreement is usually entered with portfolio companies.
- 4.2. The communication of the decision taken by company, which could include vote for/against/abstinence from voting, shall be made through either the nominee director of the Fund, if any, appointed on the board of directors of the portfolio investment or through Custodian or any other mode as may be suggested by the management of portfolio companies in compliance with applicable law.
- 4.3. The representation and voting by the authorized personnel in the meetings conducted by the portfolio companies could be through physical presence at the meeting, representation through proxy or through audio visual or other electronic mode offered by such portfolio company subject to applicable law.
- 4.4. Any of the Director (based on the inputs of Investment Team/Investment Committee, as the case may be of the concerned fund/scheme will decide when to use proxy votes and the manner in which votes through proxies are cast

5. Guidelines for Voting

- 5.1. For ensuring better corporate governance of listed companies, the Company shall endeavour to vote on all resolutions which may affect its clients or Fund's clients' interest, either by postal ballot or through attendance or e-voting.
- 5.2. The Company shall not give proxy to brokers, for voting on its behalf.
- 5.3. The Company shall be represented by the concerned fund manager or concerned analyst tracking the stock or such personnel as may be authorized by such fund manager or Board of Directors of the Company.
- 5.4. The Company can vote through the postal ballot or through attendance or e-voting.
- 5.5. The decision regarding the voting on the resolution, i.e. whether the Portfolio Manager/Investment Manager will vote for, abstain or against the resolution proposed by the Company/Issuer, will be taken by the portfolio manager/fund manager/authorized person.
- 5.6. The voting decision shall be arrived at by considering all available information including: contents of notice/explanatory statements, interpretation and application of the proposed items, impact of exercising or not exercising the vote, possible outcome of the vote, impact on the investment made by the concerned Fund, etc. All the items proposed for vote should be addressed on a case-to-case basis considering the interests of the investors of the respective Fund. Other factors such as location of the general/class /debenture holders meeting, percentage of voting right, cost of voting (cost of travel and executive time), routine nature of the items on vote, etc may also be taken into consideration to arrive at the voting decision.
- 5.7. Decision may be taken to abstain from voting in certain circumstances cases such as follows

- 5.7.1. where insufficient information is available on the item proposed for vote; or
- 5.7.2. (b) where a potential conflict of interest may be involved or where Company does not have a clear position on the item proposed for vote or where item proposed for vote is routine / administrative in nature or where decision of nominee directors / Fund has been separately communicated in writing to the portfolio company
- 5.8. The actual exercise of the proxy votes in the AGMs/EGMs of the investee companies will cover the following matters:
 - 5.8.1. Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions.
 - 5.8.2. Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
 - 5.8.3. Stock option plans and other management compensation issues;
 - 5.8.4. Social and corporate responsibility issues.
 - 5.8.5. Appointment and Removal of Directors.
 - 5.8.6. Related party transactions
 - 5.8.7. Any other issue that may affect the interest of the shareholders in general and interest of the clients in particular.
- 5.9. Whenever there is a change in Auditors, Independent Directors, Key Management personnel of the investee companies, the Company shall be vigilant and make more enquiries, including asking the Company/Issuer to provide reasons for the same.
- 5.10. Company may consider the recommendations made by its external legal, financial or tax advisors for determining the vote cast (either for or against) concerning a particular matter which are not in the best interests of the investors of the Fund. However, no recommendation shall be binding on the company.
- 5.11. The Company may discuss any corporate governance issues that require support from other shareholders with them
- 5.12. Investment in companies that have invested in any of the Funds, Company shall not discriminate for / against any company that has invested in the Funds directly or through its group entities. All companies will be treated at par for the purpose of this voting policy.
- 5.13. The Board of Directors of the Company will note the action taken in respect of Voting in its meetings.
- 5.14. The Company shall exercise voting in the exclusive interest of the clients. There shall be strict separation of the Company's PMS business and Investment Manager to the AIF Fund business. Appropriate controls and mechanisms are in place to manage conflict of interest, that may arise.
- 5.15. Information on AGM / EGM – the details of AGM / EGM including the proposals shall be provided by Custodian to Operations team. Dealing Manager or team shall co-ordinate with fund manager or Director for necessary voting decision.

6. Reporting and disclosure

- 6.1. As stated in the Stewardship Policy, Company is maintaining this policy as per the requirement stated in the circular issued by Securities and Exchange Board of India bearing number circular ref CIR / CFD / CMD1 / 168/ 2019 dated December 24, 2019, and shall at all times be in compliance with the said circular (including any amendments/modifications thereto).
- 6.2. With respect to the listed equity investments of the Fund, Company shall on a Annual basis, publicly disclose a report wherever voting is undertaken as per the requirement of the Voting Policy on its website. The report shall *inter alia* contain the following details:
 - 6.2.1.Details of actual voting on the proposed resolution of the portfolio company
 - 6.2.2.Rationale for such vote
 - 6.2.3.If written opinion from third party consultants was taken for the decision on voting and scope of such opinion.
- 6.3. The Company shall record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal/resolution for which the Company has casted its vote and records shall be maintained in the format equivalent to as provided in Annexure 1.
- 6.4. The Company shall disclose the voting details to the investors in the equivalent format prescribed in Annexure 2 on the Website of the Company - <https://carneliancapital.co.in>.
- 6.5. The Voting Policy shall also be available on the Website of the Company - <https://carneliancapital.co.in>

7. Annexure 1

Entity	
Meeting Date / Date of Voting Done	
Company Name	
Type of meetings (AGM/EGM)	
Type of Vote	
Proposal by Management or Shareholder	
Proposal's Description	
Investee Company's Management Recommendation	
Vote (For/ Against/ Abstain)	
Reason supporting the vote decision	