

**STEWARDSHIP CODE**

**OF**

**CARNELIAN ASSET MANAGEMENT & ADVISORS PRIVATE LIMITED**

**VERSION 3**

**Document Control**

Item	Description
Document Title	Stewardship Code
Current Document Owner	Compliance Group
Document Classification	Policy

**Document Revision Record (Change History - Created / Modified / Reviewed)**

Version	Document History	Applicable Date	Description of Change / Remarks
1.0	Created	22-09-2020	Policy made applicable
2.0	Reviewed	15-04-2024	
3.0	Reviewed	12-05-2026	General Changes

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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 SEBI registered Category I Alternative Investment Fund, Carnelian AIF Category I Trust, bearing registration number IN/AIF1/25-26/1787 and to any other fund which may be launched by the Company in future

## 2. Purpose

The purpose of the Stewardship Code is to protect the interest of the unitholders who have invested in the scheme/s of Carnelian / 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 Company 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 and will therefore rely on following broad principals.

## 3. Principle 1 – Key Stewardship Responsibilities

Company stands by the principles of being a responsible investment manager and uses a robust Investment framework for every stock held in the AIF. The processes to identify, monitor and engage with the investee companies are already in place at Company.

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

- take into consideration, the corporate governance practices of investee companies;
- take into consideration, in the investment process, investee companies’ policies and practices on environmental, social and governance matters;
- Enhance investor value through productive engagement with investee companies;
- Vote and engage with investee companies on matters including environmental, social and governance principles;

**The company shall discharge its stewardship responsibilities through:**

- Voting on shareholders’ resolutions, with a view to enhance value creation for the investors and the investee companies
- Shall endeavour to have detailed discussions with the management and interactions with the investee company managements
- Using the services of external agencies (such as custodians/ banks etc.) wherever deemed fit to discharge the duties
- advocating corporate governance practices, as a driver of value creation
- Working collectively with other institutional investors and supporting collaborative engagements organised by representative bodies and others

This Stewardship Code highlights Company’s stewardship responsibilities. The Code will be made available online and will be reviewed on a periodic basis. Company may provide training at regular intervals to the employees involved in implementation of the principles laid in the Code.

#### 4. Principle 2 - Managing Conflicts Of Interest While Fulfilling Stewardship Responsibilities And Public Dissemination

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. The Investment Manager shall abide by high level principles on avoidance of conflicts of interest while entering into managing investments of the Fund. The detailed process of identifying and managing conflict of interest is as follows:

**Identifying conflict of interest:** While dealing with investee companies, the Investment Manager may be faced with a conflict of interest, inter alia, in the following non-exhaustive instances, where:

- The investee company is a client of the Investment Manager for its other business activity;
- Investee company is directly or indirectly linked to another investee company of Fund;
- The investee company holds an interest, in the overall business or is a distributor for Fund/Investment Manager;
- The Investment Manager is a supplier of the investee company;
- A nominee of the Investment Manager has been appointed as a director or a key managerial person of the investee company;
- A director or a key managerial person of the Investment Manager has a personal interest in the investee company;
- The Investment Manager (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of an investor or the investee company.
- The Investment Manager or its employees have an interest in the securities of the investee company and nature of such interest

Manner of managing conflict of interest:

- Implementation of a fair investment policy and appropriate disclosures made to the investors of the AIF fund, if any
- The transaction is in compliance with the applicable regulations and is at arm’s-length.
- The conflict is disclosed to the management before entering into transaction
- The voting decision is in the best interest of the stakeholders keeping the interest of fund holders first.
- Documentation of the process of resolving any identified material conflict of interest.

#### 5. Principle 3: Monitoring of Investee Companies

- The Key Investment team is responsible for the monitoring of the investee companies’ performance.
- The Key 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 key 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.

- While dealing with the investee company, Company shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
- Once an investment is made, the Key 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

## 6. Principle 4 – Intervention in the Investee Companies

Company on behalf of AIF 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 Key Investment Team.

The Investment Manager's engagement is integral to its investment processes as it firmly believes that this is an important way to preserve value for Fund investors.

### **Applicability:**

- A usual monitoring as part of investment evaluation process shall always continue however, we will endeavour to engage actively with the investee companies (Intervention) only where we hold 2% or more of its outstanding equity shares.
- Company shall 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 poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, (Environmental, Social and Governance (ESG) risk issues, leadership concerns, related party transactions, corporate plans/ strategy, CSR, litigation or any other related matters.

### **Intervention:**

The decision for intervention shall be decided by the Key Investment Team based on the following broad parameters:

- Company shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment.
- Company may consider intervening in matters below the thresholds, if in the reasonable opinion the issue involved may adversely impact the overall corporate governance atmosphere or the Funds investment.

### **Mechanism of intervention and regular assessment of outcome of intervention:**

- **Engagement:** One-to-one meetings with the management team, engagement with specific teams etc of the investee company to resolve any concerns including steps to be taken to mitigate such concerns.
- **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 reengage with the management to resolve its concerns.

- **Collaboration:** Company shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities as it deems necessary for a collective engagement or joint representation with the investee company
- **Escalation:** In case there is no progress despite the above three steps, the Key investment team may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, the Key investment team may take appropriate steps to resolve the concerns including exiting its investments.

In case the Company's intervention is not successful (either fully or partially), it will not automatically result in the requirement to exit the Fund's investment in the investee company. The decision to purchase more equity or sell all or part of the Fund's investment in the investee company shall be made by the Investment Committee, which may consider the outcome of the intervention as an input in its decision-making process.

#### 7. **Principle 5 – Policy on voting and disclosure of voting activity**

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

- The Investment Manager shall exercise their voting rights and vote on shareholder resolutions of investee companies in accordance with the voting policy.
- The Investment Manager shall disclose all voting activity of the Fund at regular interval on website. The Investment Manager may also disclose if it has relied (either partly or fully) on the voting recommendations provided by any proxy advisory firm.
- **Attendance at General Meetings:** The Investment Manager shall strive to attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings, if required.
- **Mechanism:** The Investment Manager may vote on behalf of the Fund of the Fund whether by means of e-voting, physically attending meeting, voting through proxy or otherwise.

#### 8. **Principle 6 – Periodical reporting and Disclosures:**

Company shall provide a report of the discharge of its Stewardship Responsibilities annually as a part of the public disclosures on its website, for the benefit of its ultimate beneficiaries (investors)