

# InCred Alternative Investments Private Limited

Stewardship Code

Version 1.0

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## 1 Introduction

The Securities and Exchange Board of India (“SEBI”) published Stewardship Code for all categories of AIFs, in relation to their investment in listed equities vide circular no. CIR/CFD/CMD1/168/2019 dated 24 December 2019. The stewardship principles reflect the responsibility of institutional investors to engage constructively with invested companies with the aim of enhancing medium to long term investment return for their clients and beneficiaries by improving and fostering the investee companies corporate value and sustainable growth through constructive engagement or purposeful dialogue based on in depth knowledge of the companies and their business environment. The Stewardship Code aims in ensuring high standards of corporate governance and these stewardship activities of the institutional investor include proper monitoring of the investee companies and constructive engagement with them done to discharge the stewardship responsibilities to foster sustainable growth of the companies. The Stewardship Code provides framework for good practices in engaging with the investee companies and defines principles considered helpful to institutional investors in fulfilling their stewardship responsibilities with due regard to both their clients and to investee companies.

Where the investments in listed equities is made basis technical analysis, the principles of the Stewardship Code need not be adhered to. Similarly, funds not making any investments in listed equities shall be exempted from adhering to the principles of the Stewardship Code.

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## 2 Principles of the Stewardship Code

The Stewardship Code is formulated based on the following principles as laid down in the aforementioned SEBI circular:

**Principle 1** – Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it, review and update it periodically.

**Principle 2** – Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

**Principle 3** – Institutional Investors should monitor their investee companies.

**Principle 4** – 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 interests of the ultimate investors, which should be disclosed.

**Principle 5** – Institutional Investors should have a clear policy on voting and disclosure of voting activity.

**Principle 6** – Institutional Investors should report periodically on their stewardship activities.

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## 3 Principle 1– Stewardship Responsibilities

InCred, as part of its investment activities, invests in listed equities of various investee companies. This policy aims to define the kind of engagement required to be maintained with the investee companies. Such engagement may be through detailed discussions with management, interaction with investee company representatives, voting in shareholders meetings etc.

An illustrative list of engagements on various matters is given below:

- Strategy and Performance of the investee companies (operational, financial, etc.)
- Industry-level monitoring and possible impact on the investee companies
- Corporate Governance matters, merger/acquisition, other corporate restructuring, and anti-takeover provisions.
- Changes in capital structure, including increases and decreases of capital, preferred stock issuances, buy-back, dividend etc.,

- Stock Option Plans and Other Managerial Compensation issues.
- Risk including environmental, social, and governance (ESG) opportunities or risks
- Any other issue that may affect the interest of Shareholders.

InCred through its Investment Committee may engage actively with the investee companies where it holds 5% or more of its outstanding equity shares.

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## 4 Principle 2- Managing Conflict of Interest

InCred may be subjected to certain conflicts of interest relating to the directors, employees, and affiliates of InCred. A list of the potential conflicts of interest that may arise during the course of business is outlined in the 'Conflict of Interest' Policy of the Company. The directors, employees and other affiliates of InCred shall abide by the 'Conflict of Interest Policy' in such matters.

Following are the general principles for dealing with Conflict of Interest, where InCred, its directors, employees and affiliates shall:

- at all times maintain high standards of integrity in the conduct of their business;
- ensure fair treatment of their clients and not discriminate amongst them;
- ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
- make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
- endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
- place appropriate restrictions on transactions in securities while handling a mandate of client in respect of such security so as to avoid any conflict;
- not deal in securities while in possession of material unpublished price sensitive information;
- not to communicate the material unpublished price sensitive information while dealing in securities on behalf of others;
- not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
- not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest.

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## 5 Principle 3 and 4- Monitoring of Investee Companies and Policy on Intervention

A usual monitoring as part of investment evaluation process may be undertaken by the Investment Committee and InCred shall endeavour to engage actively with the investee companies (Intervention) where InCred holds 5% or more of the investee company's outstanding equity shares.

Intervention regarding issues as identified by the Investment Committee and with the approval of the CIO will be taken up through direct one on one discussion in investee companies in which the holding is more than 10% of the outstanding equity shares.

The Investment Committee should also keep in mind the applicable regulations and the policy on insider trading while seeking information from the investee companies for the purpose of monitoring.

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## 6 Principle 5- Voting and Disclosure of Voting Activity

InCred with discretionary authority over the securities held by the Funds is viewed as having with proxy voting authority and has a duty to monitor corporate events and to vote proxies as well as a duty to cast votes in the best interest of clients and not subrogate client interests to its own interests.

InCred's general policy is to abstain from voting proxies unless InCred believes the proxy voting will materially affect shareholder value and it is being done in the best interest of the clients. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the interests of clients, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of investors. Generally, proxy votes will be cast against proposals having the opposite effect. However, InCred will consider both sides of each proxy issue.

InCred will monitor the potential conflicts of interest with respect to proxy voting as a result of personal relationships, significant client relationships, and potential conflicts of interest among clients or special circumstances that may arise during the conduct of InCred's business. If a conflict of interest is identified, InCred will act according to the Conflict-of-Interest principles stated above.

Where the investments in listed equities is made basis technical analysis, the principles of the Stewardship Code need not be adhered to.

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## 7 Principle 6- Policy Management, Disclosure and Reporting

The CIO in consultation with the Investment Committee shall monitor the effectiveness of this Stewardship Code. Stewardship Code, a report on its Stewardship activities, including the votes cast (if any), would be uploaded on its website or portal or shall be informed to the clients separately.

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## 8 Version History

Version	Date	Author	Remarks
1.0	24-04-2023	InCred Alternative Investments Private Limited	First version