

# SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

## Policy on Stewardship Code

Change Matrix	
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<b>Propriety:</b>	This document is the sole property of Shriram Asset Management Company Limited. Any use or duplication of this document without express permission of Shriram Asset Management is strictly forbidden and illegal.
<b>Note:</b>	This Manual is prepared keeping in mind the industry practices and the business requirements of an AMC as per SEBI Regulation and Circular. It is advised to continuously update the manual in line of the changes happening in due course of time and development in the industry practice.

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## **Background**

As per SEBI Circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019 on Common Stewardship Code, all Mutual Funds shall follow the Stewardship Code annexed to the said circular.

Accordingly, this code is being documented in compliance with the circular of SEBI on Common Stewardship Code.

This Policy will be effective from April 01, 2020.

## **Principals of Common Stewardship Code**

This Common Stewardship Code is based on the following 6 principals enumerated by the SEBI in its Circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019:

- 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.

Accordingly, the following code has been documented.

### **1. Stewardship Responsibilities**

We, Shriram Asset Management Company Limited (SAMCL), act as an asset management company ("Investment Manager") to the schemes of Shriram Mutual Fund ("Fund"). As an Investment Manager, we acknowledge the primary Stewardship Responsibility as "to invest in companies, which have acceptable standards of effective management, follow good corporate governance practices and have fundamental strengths".

We acknowledge that the stewardship responsibilities include 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 and governance (ESG) opportunities or risks, capital structure etc.

We continuously review the various developments at the investee company such as financial research / corporate actions / significant events / development etc.

We also review the various proposals being submitted to the various meetings of the members and exercise our vote appropriately.

#### **Discharge of Stewardship Responsibilities:**

SAMCL will discharge its stewardship responsibilities through:

- a) voting on shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- b) advocating for responsible corporate governance practices in the investee company, as a driver of value creation; and
- c) intervening on material environmental, social and governance opportunities or risks in the investee companies.

## 2. **Managing Conflicts of Interest**

Investment by the Shriram Mutual Fund Schemes managed by SAMCL will be made in accordance with the guidelines / restrictions issued by SEBI and reports for such investments will also be filed with SEBI as required under these Regulations.

SAMCL also recognizes that there may be potential conflict of interest when SAMCL will have to take decision for voting on resolutions of entities including its group companies or otherwise with which SAMCL may have some relationship, and in such circumstances, SAMCL will continue to 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 Shriram Mutual Fund investors, in line with the regulatory requirement.

The employees, officers and directors of the SAMCL will undertake reasonable steps to avoid actual or potential conflict of interest situations while investing the funds of Shriram Mutual Fund. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall consult with Senior Management / Board of Trustees of Shriram Mutual Fund/ SEBI.

### Identifying conflict of interest:

- a) SAMCL and the investee company are part of same group; or
- b) a director of SAMCL has been appointed as a director or a key managerial person of the investee company;
- c) a director or a key managerial person of the SAMCL has a personal interest in the investee company;
- d) SAMCL (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of a shareholder/investor or the investee company.

### Manner of managing conflict of interest:

- i. All employees and directors will comply with the disclosure requirement of Shriram (MF) Regulations on dealing in securities by them.
- ii. Rationale for voting on each shareholder resolution shall be recorded and reported to Board of AMC and also to the Board of Trustees.
- iii. Employees, officers and directors will disclose their other appointments/professional engagement.

Any transaction of Front Running by any employee/director, 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/director whether for self or for any other person, knowing fully well that the SAMCL also intends to purchase and/or sell the same security for the schemes managed by it.

Any transaction of self-dealing by any employee/director 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.

### **3. Monitoring investee companies**

The AMC shall monitor all investee companies.

The Fund Manager and / Chief Investment Officer shall be responsible for the supervision of the monitoring of the investee companies’ business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance, cultural, social and environmental matters.

The Fund Management and / or research team will use publicly available information, research and industry information and shall engage with the investee companies’ investor analyst calls periodically / at least once in a year to monitor the investee companies.

During our interaction with the management of Investee Company, SAMCL shall inform the investee companies to not share any unpublished price sensitive information with it which would make SAMCL an ‘insider’. While dealing with the investee company, compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015 shall be kept in mind.

We continuously review and monitor closely the various developments at the investee company such as financial research / corporate actions / significant events / development etc.

SAMCL has research team (Equity & Credit) comprising experienced sector analysts / credit analysts with good fundamental background which provides research support to its various affiliates as well as an information sharing platform for Investee company related inputs.

### **4. Policy on intervention / collaboration in investee companies**

SAMCL will intervene in the acts/omissions of an investee company, in which it:

- (1) has invested more than Rs.20,00,00,000; or
- (2) holds at least 2% of the share capital of the investee company; or

SAMCL will 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 insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance

issues, related party transactions, corporate plans/ strategy, CSR and environment, or any other related matters.

SAMCL will take reasonable steps to engage with the investee company's management to resolve any concerns raised by SAMCL including steps to be taken to mitigate such concerns.

In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by SAMCL within a reasonable timeframe, then SAMCL will take all reasonable steps to re-engage with the management to resolve all the concerns.

In case there is no progress despite the first two steps, SAMCL will escalate the matter to the Investment Management Committee. If the Investment Management Committee decides to escalate, SAMCL will engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. SAMCL 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 first three steps; SAMCL may approach the relevant authorities governing the investing company.

In case SAMCL's 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 Investment Management Committee, which may consider the outcome of the intervention as an input in its decision-making process.

#### Collaboration with other Institutional Investors

SAMCL will consider collective engagement with *other AMCs / institutional investors / advisors / proxy advisory firms*] on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. SAMCL may approach, or may be approached by, other asset managers to provide a joint representation to the investee companies to address specific concerns.

An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.

SAMCL will determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.

#### **5. Voting Policy**

The Fund Managers/Chief Investment Officer shall review all voting proposals routine as well as non routine items but shall ensure that non routine items like change in the state of incorporation, merger and other corporate restructuring, changes in capital structure, stock options, appointment and removal of directors, etc are identified and voted in the manner designed to maximize the value of the unit holders. Exceptionally, for such matters, the Investment Manager may also decide to abstain from voting where it

has insufficient information or there is a conflict of interest or the Investment Manager does not have a clear stance on the proposal.

Although the Investment Manager will generally vote in accordance with the Voting Policy, but may act differently if the relevant facts and circumstances so warrant. Hence, the Investment Manager may deviate from the Voting Policy guidelines when it determines that the deviation is necessary to protect the interests of the unit holders.

Investment Manager is an affiliate of a large, diverse financial services organization with many affiliates, which may lead to situation creating conflicts of interest. Conflicts of interest may arise in certain situations, where:

- The Investee Company is a client of Investment Manager and/or its affiliates;
- In certain cases, wherein any affiliates of the Investment Manager are lender to the Investee Company;
- The Investee Company is a seller whose products or services are important to the business of Investment Manager and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Investment Manager and/or any of its affiliates.

However, the Investment Manager will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of unit holders.

In cases where investments are in group companies of the Investment Manager or where the Investee Companies have substantial investments in the Schemes of the Fund, the Investment Manager shall specifically review all voting proposals routine as well as non routine and take decisions with respect to voting on such proposals in the best interest of the unit holders. The Investment Manager may also decide to abstain from such voting, if it deems fit to do so in the best interest of the unit holders or if there is a conflict of interest.

The data on voting exercised or otherwise is maintained in electronic / physical mode covering all equity holdings and the same is disclosed on AMC website. A certificate from Statutory Scheme Auditor is also taken and attached to the Annual Reports of Shriram MF schemes.

Further, on an annual basis, AMC shall obtain certification on the voting reports being disclosed by them. Such certification shall be obtained from a “scrutinizer” in terms of Rule 20 (3)(ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof. The same shall be submitted to the trustees and also disclosed in the relevant portion of the Mutual Funds' annual report & website.

Board of AMC and Trustees of Shriram Mutual Fund shall review and ensure that AMC has voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation to the same, along with any adverse comments made by the scrutinizer, shall be reported to SEBI in the half yearly trustee reports.



**6. Periodic Report on stewardship responsibilities.**

An annual report on the implementation of this policy shall be submitted to the Board of AMC & Trustees of Shriram Mutual Fund and shall also be disclosed on the website of AMC.

**7. Disclosure of Stewardship Code and Corporate Governance Policy**

This Stewardship Code and Corporate Governance Policy and amendment thereto, shall be disclosed on the website of Shriram AMC.