



IDBI MUTUAL FUND

POLICY ON DISCHARGE OF STEWARDSHIP RESPONSIBILITIES

| Release/ Reviewed Date | W. E. F Date | Version no. | Approved by | Changes |
|---------------------------------------|---------------------|--------------------|--------------------|---------------------|
| 00.00.2020 | 00.00.2020 | 1.0 | Board of Directors | First time adoption |
| 28.05.2021 | 28.05.2021 | 1.1 | Board of Directors | - |
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Stewardship Policy

Introduction

The Policy on discharge of stewardship responsibilities ("Policy") sets out the framework and guidelines on discharge of the stewardship responsibilities of IDBI Mutual Fund Scheme ("IDBI MF") in accordance with Guidelines on Stewardship Code for Mutual Funds (MFs) in India issued by The Securities and Exchange Board of India (SEBI).

This document sets out the principles and the policies in line with the SEBI guidelines on the Stewardship code to be followed by the investment function regarding the engagement with the management of the investee companies, voting on resolutions pertaining to the investee companies and disclosures relating thereto. This document will be called the "Stewardship Policy" of the IDBI MF.

IDBI MF has significant investments in listed companies and large amounts of these investments are held as custodians of the Investors. As a part of the investment activity, the Investment Team monitors and engages with companies on various issues viz. business strategy, performance, governance, etc.

The Policy defines the stewardship responsibilities to be undertaken by IDBI MF and the processes that intends to follow in order to safeguard the interests of its investors. The investment team would be exercising the voting rights in the Company's investee companies in the best interest of the investors in their respective funds.

Stewardship Policy

Roles and responsibilities

The Policy is approved by the Board and shall be reviewed at least once in a year to incorporate changes as may be required. Further, the compliance to the Policy is also reviewed by the Board at least once in a year.

Audit Committee (ACM) and Investment Committee (IC)

The ACM of the Company shall ensure that there is an effective oversight of the Company's stewardship activities and shall recommend changes in the Policy to the Board. Additionally, given that stewardship is closely connected with investing, the compliance to the Policy will also be presented to the IC.

Investment team

The Investment team shall be responsible for the ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and suggest the manner of such intervention. The investment team shall also be responsible for identifying situations which may give rise to a conflict of interest. The team may seek guidance from the IC in matters pertaining to intervention in investee companies or potential conflict of interest.

Investment Operations Team

The Investment Operations Team shall be responsible for disclosures pertaining to stewardship activities including voting report on a quarterly basis. The team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of investee companies in which conflict of interest, as defined below herein has been identified.

Stewardship Policy

Principle 1

Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publically disclose it, review and update it periodically.

The primary stewardship responsibilities of IDBI MF shall be:

1. To disclose the policy on the website of IDBI MF. Any change or modification to the Policy will also be disclosed at the time of updating the Policy on the website;
2. To take into consideration, in the investment process, the investee companies' policies and practices on corporate governance matters (including board structure, remuneration, etc.), performance (operational, financial, etc.), strategy, material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.;
3. To seek productive engagement with the investee companies;
4. To exercise voting rights in investee companies in a manner consistent with the best interests of its Investors, and;
5. To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

The Company shall fulfil its stewardship responsibilities by way of the below activities:

1. The Company shall frame procedures on voting to deal with the exercise of the Company's voting rights in investee companies.
2. The Company shall appropriately engage and intervene on any issue which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value.
3. The Company shall endeavour to work collectively with other institutional investors and support collaborative engagements organised by representative bodies and others.
4. The Company shall disclose compliance to the Policy and the principles therein on its website annually. The Company shall also disclose the voting report each quarter.
5. The Company shall ensure that members of the investment/investment operations team are provided adequate training to discharge the responsibilities under the stewardship policy.

The Company may use services of external agencies to support it in discharging its stewardship responsibilities. However, the Company shall not outsource any core function of investment. The ultimate stewardship responsibility shall be that of the Company and IC would be responsible to approve the use of external agencies to support the discharge of stewardship responsibilities.

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Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibility and publicly disclosed it.

Identifying conflict of interest while dealing with investee companies, IDBI MF may face with a conflict of interest. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, the IC may be consulted. Given below are a few instances where potential conflict of interest may arise:

1. The investee company is also an institutional client of IDBI MF;
2. IDBI MF is a lender to the investee company;
3. The investee company is a partner or holds an interest, in the overall business or is a distributor of IDBI MF;
4. A nominee of IDBI MF has been appointed as a director or a key managerial person of the investee company; or
5. IDBI MF and the investee company are part of same group;

To manage the above potential conflicts of interest, IDBI MF shall ensures that:

1. Any potential conflict of interest in relation to an investee company shall be highlighted to the IC. If those transactions do not appear to be in ordinary course of business or not at arm's length, the IC may either apply blanket ban on investment or refer to the Audit Committee for further guidance.
2. Such decisions taken by the IC shall be recorded in the minutes of meeting.
3. The employees in the investment teams shall comply with the Code of Conduct for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations.
4. Rationale for voting on each shareholder resolution shall be recorded and may consider abstaining from voting when the Company and the investee company are part of the same group, unless IDBI MF records the rationale for voting on such resolutions.
5. Rationale behind a new investment decision shall be recorded.
6. There shall be a clear segregation of voting function and client relation/sales function. The Investment team will be responsible for the voting decision.
7. Any person having any actual/potential conflict of interest shall recuse themselves from the decision making process.

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Principle 3

Institutional Investors should monitor their investee companies

1. The Investment team shall be responsible for the monitoring of the investee companies' performance. The investment team may consider the investee companies' leadership effectiveness including quality of management, board & leadership, succession planning, corporate governance, reporting, risks including environment, social and governance risk, shareholder rights & grievances and other parameters they consider important while making investment decisions.
2. The Investment team shall engage with investee companies as part of the research process that leads to an investment in an investee company, which might include meetings with management.
3. The Investment team shall continue to monitor each investee company. As a part of this process, the fund manager/ analysts shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Manager/analysts may also use publicly available information, sell side research and industry information and shall engage with the investee companies through any means detailed above. IC shall prescribe threshold for different level of monitoring in different investee companies considering the significance of investment.
4. While dealing with any investee company, IDBI MF shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
5. The IC shall review the monitoring and engagement activities being carried out by the Investment team annually.

As a general principle, IDBI MF shall not nominate its representative on the Board of an investee company. However, to protect the interest of Investors, if the situation warrants so the Company may nominate its representative subject to prior approval of IC.

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Principle 4

Institutional Investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

1. IDBI MF 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 insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/ strategy, environment, social & governance risks, leadership issue & litigations or any other related matters.
2. IDBI MF may consider intervening in matters below the thresholds, if in the reasonable opinion of the IC, the issue involved may adversely impact the overall corporate governance or the Company's investment.
3. The escalation matrix followed by IDBI MF for intervention is as follows:
 - I. Communication: The Investment team shall communicate to the investee company's management about any concerns of IDBI MF including steps to be taken to mitigate such concerns. If the matter comes to voting, IDBI MF shall exercise its voting rights.
 - II. Engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by IDBI MF within a reasonable timeframe, IDBI MF shall take all reasonable steps to engage with the management of the investee company to resolve the concerns of IDBI MF.
 - III. Collaboration: IDBI MF shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.
 - IV. Escalation: In case there is no progress despite the first three steps, IDBI MF shall escalate the matter to the IC. If the IC decides to escalate, IDBI MF shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. IDBI MF may also consider discussing the issues at the general meeting of the investee company. IDBI MF may also include interaction with the companies through institutional investor associations (E.g. AMFI).
4. IDBI MF is willing to act collectively with other investors where it is in the interests of the Investors to do so and only when the situation warrants the same. IDBI MF shall collaborate with other investors, professional associations, regulators, and any other entities as may deem fit to solicit views. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.

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Principle 5

Institutional Investors should have a clear policy on voting and disclosure of voting activity.

1. An active and informed voting policy is an integral part of our investment philosophy and does not automatically support the proposals of the Board of the investee companies. IDBI MF shall keep in mind the interests of the Investors while exercising voting decisions. In other cases, Company may voluntarily participate and vote if the resolutions/proposals are considered significant and have an impact on the investments of the Company.
2. The key areas that IDBI MF seeks to vote on will be related to corporate governance and matters related to future prospects of the investee companies including Director appointments and compensation, corporate restructuring and related party transactions. IDBI MF may also consider additional factors, including recommendations made by any proxy advisory firms while voting.
3. IDBI MF shall maintain a record of its voting on investee company resolutions and shall be presented to the Audit Committee and Investment Committee, include the following:
 - I. Mechanisms used for voting, e-voting, physically attending meetings, voting through proxy, etc.
 - II. Rationale for assessment of the proposals and take decision thereon
 - III. The decision to collaborate on company specific matters will be judged on a case by case basis by the Investment team with input from the Chief Investment Officer, Head of Compliance and Legal and other members of the relevant committee as appropriate, to be considered for a decision to vote for/ against/ abstain. The list below contains examples of the sorts of issues on which IDBI MF might consider engaging collectively where other escalation routes have failed: (This does not represent an exhaustive list but a broad framework)
 - Concerns over decisions relating to M&A activity or capital raising;
 - Issues with investee company leadership or board structure;
 - Concerns over strategy;
 - Concerns over capital structure;
 - Concerns over operating performance; or
 - Where there is difficulty accessing information about, or gaining direct access to, investee companies in certain jurisdictions.
- IV. IDBI MF processes its voting instructions electronically via the third party proxy voting. It is also possible that IDBI MF employee may attend an annual general meeting in person or else appoint a representative to attend the meeting and vote on IDBI MFs behalf.

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V. Voting decisions are regularly and actively discussed within IDBI MFs investment teams. Where there is a disagreement over voting intentions, this is debated and escalated to the investment committee. It is possible and appropriate that, in exceptional circumstances, where an investment in a company is held in more than one fund that votes may be cast differently by managers of different funds or mandates but always in the best interests of the investors in those funds or mandates managed by that fund manager. Fund managers are charged with managing their specific funds and the investments contained therein and therefore taking decisions to produce a good outcome for investors and meeting the fund objectives. It is possible that those requirements will mean that differing views are taken by individual fund managers. Alternatively two fund managers may simply disagree on the vote. In both instances, a debate would be instigated between the managers, overseen by the Chief Investment Officer, to see if an agreement could be reached. If not, IDBI MF would allow the fund managers to vote in the way they saw fit to discharge their responsibilities to the investors in the funds they manage. Examples of such an unusual event could be:

- In the case of a corporate acquisition where one fund owns shares in both the offeree company and the offeror and another fund owns shares in only one of them.
- Where one fund invests in the ordinary shares of a company and another part of the corporate group and another fund only invests in the ordinary shares.

In both cases votes cast could have differing implications for different funds/mandates.

4. For the purpose of transparency, IDBI MF will publically disclose details of how we cast our votes in investee company meetings on our website / annual report to investors. (In case of online disclosure update will be done on each calendar quarter, for reasons of confidentiality IDBI MF will withhold that data for one month following quarter end), which inter- alia includes the following:

- Periodicity of disclosure
- Details of actual voting for every proposed resolution in investee companies (For, Against or Abstain)
- Rationale for voting
- Manner of disclosure – annual report to investors / quarterly basis on website.

5. IDBI MF will publically disclose details in case of use of proxy voting or other voting advisory services for cast our votes in investee company meetings on our website / annual report to investors, which inter-alia includes the following:

- Scope of such services
- Details of service providers
- Extent to which the investors rely upon/use recommendations made by such service.

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Principle 6

Institutional Investors should report periodically on their stewardship activities.

1. IDBI MF is committed to providing transparency on its stewardship and voting activities. In some instances such disclosure may be withheld temporarily due to reasons of confidentiality or market sensitivity but, wherever possible, IDBI MF commits to providing this information quarterly via its website / report where IDBI MF maintains up-to-date information about how votes have been cast in respect of specific investments. In addition, IDBI MF will from time to time publish more detailed information regarding reasons for specific votes and to comment on examples of engagement with investee companies and other additional reports. Stewardship activities will report annually via our website / annual report.
2. IDBI MF notes that institutional investors should obtain an assurance report to confirm whether the policies and processes in relation to the application of specified Principles and related disclosures have been fairly described and to disclose that independent opinion to investors on request. IDBI MF will ensure that its own committee reviews this Policy annually and its own Compliance team carries out an annual review with a view to assessing the fairness of the description of how the above Principles have been described and applied.
3. IDBI MF is developing its approach to engagement and will consider revisions to its existing policies to ensure meeting its obligations to promote effective stewardship and long term investment decision making. Any updation / revision to its existing policy may be disclose publicly as and when done.