

# **PPFAS MUTUAL FUND**

## **STEWARDSHIP CODE**

Effective Date - July 01, 2020

Version -February 2021

## **Introduction**

PPFAS Asset Management Private Limited (PPFAS AMC), the Investment Manager of PPFAS Mutual Fund (PPFAS MF) is responsible, in its fiduciary capacity, to act in the best interests of its unit holders which, inter alia, include monitoring and engaging with the investee companies.

The purpose of this policy is to describe the approach taken by PPFAS AMC to stewardship based on the principles specified by Securities Exchange and Board of India (SEBI) vide its circular no. CIR/CFD/CMD1/168/2019 dated 24th December 2019. The purpose of the Stewardship Code is to enhance the monitoring of, and engagement with, the investee companies to improve the Corporate Governance practices with a view to protect and enhance the long-term wealth of unit holders.

It is the responsibility of Mutual Funds to monitor and engage with investee Companies so that the interest of the unitholders can be protected. Such activities are called Stewardship Responsibilities which ensure enhancement of value to the unitholders. Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters (including performance and corporate governance) through detailed discussions with management, voting on resolutions submitted to shareholders, etc.

This Code broadly requires PPFAS AMC to follow below principles as regards its conduct at general meetings of the Investee Listed Company and disclosures thereto:

### **Key Stewardship Responsibilities:**

#### **Principle 1: Formulation of Policy, its Disclosure and Review**

Stewardship activities of PPFAS AMC shall be undertaken by the Investment Team, which shall be responsible to ensure implementation of the Stewardship Code duly approved by the Board. Investment Team will seek guidance from Investment Committee with respect to fulfilling the Stewardship Responsibilities. The Investment Committee shall be responsible for monitoring implementation of the Stewardship Code.

PPFAS AMC may engage advisory service providers for consultation on stewardship responsibilities. The scope of such external agency shall be specified by the Investment Committee.

The policy on Stewardship Responsibilities will be uploaded on the website of PPFAS MF and will be reviewed on a yearly basis.

#### **Principle 2: Managing conflict of Interest**

Certain resolutions of investee company may entail some instances of a conflict of interest between the interests of unitholders of PPFAS MF and shareholders of PPFAS AMC.

Potential Conflict of interest may arise in certain situation, such as:

- In certain cases, wherein any affiliates of the PPFAS AMC is lender to the Investee Company;
- The Investee Company is a seller whose products or services are important to the business of PPFAS AMC and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the PPFAS AMC and/or any of its affiliates.
- PPFAS AMC and Investee Company are part of the same group or are associates;
- The investee company is partner or holds an interest, in the overall business of PPFAS AMC;
- A director or a key managerial person of PPFAS AMC has a personal interest in the investee company

In such circumstances, PPFAS AMC 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.

To avoid conflict of interest, following procedures have been put in place:

- The voting decision will be guided by the approved voting policy, which is published on our website.
- There is a clear segregation of voting function and sales function / client relations.
- Investment team will be responsible for voting on resolutions and will be guided by the voting policy for all resolutions.
- The situation wherein the conflict of interest is not covered by the voting policy, decision on such instances will be taken on case to case basis.

Investment Committee members and other personnel involved in implementing the stewardship code must disclose their personal interest in the investee company and not participate in the steward responsibilities of such investee company.

### Principle 3: Monitoring Investee Companies

The Investment Team of PPFAS AMC will be responsible for monitoring the performance of all investee companies in which schemes has invested and for engaging with the managements of the investee companies. However, level and degree of monitoring / engagement may vary depending upon the materiality of investments.

Committee, in consultation with Investment team, may identify situations where active engagement with the investee companies may not be necessitated especially investment is insignificant, etc. In case of the investee companies where larger investments are made, we may involve higher levels of monitoring.

Investment team will be responsible for laying down the process for monitoring of the investee companies. Such monitoring process will lay down criteria inter-alia, various levels for monitoring of the investee companies, areas to be monitored like financial performance, management evaluation, business outlook, corporate governance issues, capital structure, industry level changes, and key risk areas. Monitoring on areas like remunerations, risk related to social & environmental issues, shareholder rights & grievances will be on a best effort basis. In case, any material risk is identified during the course of monitoring, the future course of action will be governed by the Principle 4 laid in this code.

The Investment team as part of its monitoring process may use publicly available information i.e., corporate disclosures on the exchanges viz. quarterly results, annual reports, corporate

announcements etc. It may also engage with the management of the investee companies on periodic basis. Further, it can also review the sell side research and industry information, etc.

The Employee dealing Code is established to control in dealing where a person comes into possession of unpublished price sensitive information (“UPSI”) of the investee companies. While engaging with the investee companies we may receive information i.e., material non-public information/ Unpublished Price Sensitive Information (UPSI). We do not pursue or seek for UPSI, however, if we are in receipt of UPSI, we shall follow our internal process as outlined in Employee dealing Code. Investment team has to strictly adhere to the Employee dealing Code.

#### Principle 4: Intervention in Investee Companies and Collaboration with Institutional Investors

PPFAS AMC may intervene on case to case basis if it feels that its intervention is required to protect value of its investment, the interest of the investors/unit holders and discharging its stewardship responsibility. Such intervention may be on standalone basis or along with collaboration with other institutional investors and/or through institutional investors associations (e.g. AMFI).

PPFAS AMC shall intervene in the acts / omissions of an investee company in which it holds greater than 1% of the share capital of the investee company or more than 1% of its AUM of actively managed strategies (determined based on investment holdings on a trailing monthly basis).

Concerns which require intervention if, in its opinion any act / omission of the investee company is considered material on a case to case basis may include but not limited to matters like poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance to regulations, performance parameters, governance issues, remuneration and composition of Board, material ESG issues, leadership issues, litigation, related party transactions, corporate plans/ strategy, CSR and any other related matters.

Investment team may as and when deem it necessary escalate the engagement/intervention on any particular issue with the investee company. The tactical aspects of the intervention will be determined on a case to case basis by the Investment team and referred to the Committee for advice and guidance. The Committee may determine the level of intervention to ensure that the views of the PPFAS AMC are represented.

The hierarchy of intervention is outlined as below:

1<sup>st</sup> step – Interaction with the investee company, in a confidential manner, to resolve the issue constructively. If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, PPFAS AMC may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings.

Next step: Escalation – If dissatisfied with the progress through the 1<sup>st</sup> step above, PPFAS AMC will proceed to escalate the matter further first by communication to the Managing Director and/or Chairman of the investee company, and thereafter to the Board of Directors of the investee company

Final step: Reporting to regulators/authorities - Despite escalation, if there is no response or action taken by Investee Company, the Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required.

In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions should be conducted in private and confidential manner.

Principle 5 – Policy on Voting

Voting policy, approved by the Boards of PPFAS AMC and PPFAS Trustee Co., is disclosed on the website of PPFAS Mutual Fund. PPFAS AMC may also take inputs from professional voting advisory service providers. Such inputs are recommendatory in nature and not binding on PPFAS AMC, which takes the final decision in case of voting on proposals.

In terms of SEBI guidelines, among others, PPFAS AMC records and discloses specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal in respect of investee company. Further, the details of votes cast are disclosed on [amc.ppfas.com](http://amc.ppfas.com) website (in spreadsheet format) on a quarterly basis.

Principle 6 – Reporting

This Code, as amended from time to time, will be disclosed on the website of PPFAS MF.

The Company in addition to the disclosure on its website as specified above shall also circulate to unitholders a status report for every financial year, as part of annual intimation to the investors. The report shall inter alia include details indicating the compliance/ any variances with the principles laid down in this Code. The format and content of the status report will be decided by the Committee.

Report on Voting will continue to be disclosed on quarterly basis, as it is being done presently.

\*\*\*\*\*