

STEWARDSHIP CODE

Contents

1. Introduction	2
2. Effective Date	2
3. Responsibilities.....	2
3.1 Investment Manager	2
3.2 Investment Team.....	2
4. Stewardship principles and related policies and procedures	2
4.1 Principle 1: Discharge of Stewardship Responsibilities	2
4.2 Principle 2: Managing Conflict of Interest.....	3
4.3 Principle 3: Monitoring Investee Companies	5
4.4 Principle 4: Intervention in Investee Companies.....	6
4.5 Principle 5: Voting Policy and Disclosure of Voting Activity.....	7
4.6 Principle 6: Periodical Reporting & Review of Policy & Disclosures.....	8

1. Introduction

Nepean Capital LLP acts as an investment manager (“**Investment Manager**”) to Nepean Long Term Opportunities Fund II & Nepean Focused Investment Fund (the “**Fund**”). The Investment Manager has a fiduciary responsibility to act in the best interest of the investors of the Fund. SEBI under its circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019 mandated all AIFs to follow Stewardship Code (“**Code**”) in relation to their investment in listed equities.

The document is prepared in accordance with the AIF Regulations, 2012 read with the Code as laid down by SEBI.

2. Effective Date

The Stewardship Code will be effective from July 01, 2020.

3. Responsibilities

The roles and responsibilities in respect of implementation of the Code are as follows:

3.1 Investment Manager

The Board of the Investment Manager shall ensure that there is effective oversight on the Fund’s investment in listed companies and it shall be responsible for monitoring implementation of the Code.

3.2 Investment Team

The Investment Team will be responsible for overall implementation and execution of this Stewardship Code. The team will be responsible for

- i) Ongoing monitoring of the investee companies;
- ii) Engaging with the management of the investee companies and identifying situations which require engagement/intervention in the investee companies and determine the nature of intervention required; and
- iii) Ensure that due records of voting activities are maintained and ensure necessary reporting requirements in line with the Stewardship Code.

4. Stewardship principles and related policies and procedures

4.1 Principle 1: Discharge of Stewardship Responsibilities

4.1.1 Guiding principles for discharging stewardship responsibilities

- i) It would include monitoring and engaging with the investee companies on matters such as business strategy, performance, risk, capital structure, material environmental, social and governance (ESG) opportunities or risk and corporate governance, to the extent disclosed, including

remuneration, structure of the board (including board diversity, independent directors, etc.), related party transactions, and shareholder rights and grievances;

- ii) Such engagement may be through detailed discussion with the management at least on an annual basis, voting in shareholders meetings, attending investor calls and general meetings, etc;
- iii) The Fund shall facilitate development of corporate governance standards and corporate responsibility through such engagement;
- iv) The Fund shall focus on ensuring accountability to investors by maintaining professional confidentiality and ensuring regulatory norms;
- v) The Fund shall maintain transparency in reporting any engagement with investee companies and disclose activities to investors on a periodic basis;
- vi) The availability of Stewardship Code and amendment thereto with the Investment Manager, shall be disclosed on the website of the Fund. The Code, as amended, shall be made available to the investors on request;
- vii) The Fund shall disclose its voting on shareholder resolutions of investee companies as on March-end of every year, and annually disclose its engagement activities referred above;
- viii) The Stewardship Code shall be reviewed biennial (or earlier if there are any material developments) and updated, which should be approved by the Investment Manager.

4.1.2 Training

The Fund shall also undertake training of identified personnel involved in implementation of the principles laid down in this Code on a need basis through internal/external workshops or sessions on Stewardship Principles prevalent in India and globally.

4.1.3 Outsourcing related requirements

The Fund may use the service of a proxy advisor to support its stewardship activities. Under such circumstances, the Fund will disclose the nature and extent of its relationships with such proxy advisors. However, such engagement of proxy advisor does not amount to delegation of fiduciary responsibilities towards the Fund's investors.

4.2 Principle 2: Managing Conflict of Interest

A conflict of interest exists when a party to a transaction could potentially make gain from taking actions that are detrimental to the other party in the transaction. Conflict of interest could arise in case of the following situations among others:

- i) If the Fund/Investment Manager and the investee company are of the same promoter group;

- ii) If the investee company is a key business partner of the Investment Manager
- iii) Conflicts relating to Directorships or other employment in the investee company;
- iv) Interests of employees of the Investment Manager in the investee company or professional practices with such investee company;
- v) Where the Investment Manager has a financial or other incentive to favour the interest of another investor or group of investors over the interests of an investor;
- vi) Any of the group companies or affiliates of the Investment Manager is a vendor, or service provider or partner of the investee company;
- vii) Where the Fund/Investment Manager is likely to make a financial gain or avoid a financial loss at the expense of an investor; and
- viii) Where the Fund/Investment Manager receives, or will receive, from the person other than a client an inducement in relation to the service provided to that client in the form of monies, goods or services, other than the standard commission or fee for that service.

The Fund/Investment Manager will consider the following when resolving such an issue:

- i) Identify the case of conflict and put a blanket ban on investments in certain cases;
- ii) Provide a clear indication of voting function which caters to the best interest of the stakeholders with interest of the investors of the Fund being paramount. The voting decision to be guided by approved voting policy;
- iii) The Investment Manager of the Fund shall frame guidelines for dealing with conflict of interest. The Fund shall constitute a Conflict Committee, to which all conflict of interest or suspected conflict of interest matters shall be referred to. The Conflict Committee shall maintain records of the minutes on such decisions;
- iv) The transaction in question shall be required to comply with applicable regulations;
- v) In case any official heading the function exercise voting, or has actual/potential conflict of interest in the transaction, such person should recuse themselves from decision making;
- vi) A record to be maintained of minutes of decisions taken to address such conflicts and rationale for voting on each shareholder resolution shall be recorded in the internal records of the Fund;
- vii) Employees, officers and partners of the Investment Manager to record their outside appointments/professional engagement with the Conflict Committee to ensure full disclosure related to Conflict of Interest;
- viii) Employees, officers and partners of the Investment Manager to record their outside appointments/professional engagement with the Conflict Committee to

- ensure full disclosure related to Conflict of Interest; They should disclose their holdings in such listed entities to Conflict Committee as on March-end of every year;
- ix) No single person to gather conflicting information. This will help in ensuring that counterfeiting or hiding information from investors is minimized;
 - x) The employees of the Investment Manager to be directly, indirectly or through their family member/s prohibited from investing in a financial instrument of investee company for which they have access to non-public or confidential information; The employees should take prior approval before trading in financial instrument of investee companies from the Board;
 - xi) Save as in the ordinary course of business, the members of the Conflict Committee to address Conflict of Interest shall not engage with the investee companies outside the scope of their duties under the Stewardship Code;
 - xii) The Investment Manager will abstain from voting if the Investment Manager and the investee company are part of the same group;
 - xiii) The employment contracts of the Investment Manager should contain confidentiality clauses;
 - xiv) The employees, officers and partners of the Investment Manager should strictly abide by trading window restrictions of each portfolio company;

4.3 Principle 3: Monitoring Investee Companies

The Investment Team of the Fund will be responsible for monitoring the investee companies in respect of performance of the company, corporate governance, strategy and risk among other aspects. The degree and level of monitoring may vary upon the materiality of investments. The Investment Team may use publicly available information, sell side research and industry information and shall engage with the investee companies' investor relations calls at least once in a year, to monitor the investee companies. The Fund will also keep in mind applicable regulations on insider trading while seeking information from investee companies for the purpose of monitoring and ensure that all information is published and available to the public. While dealing with the investee company, the Fund shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015. The Fund shall identify situations which may trigger communication of insider information and the procedures adopted to ensure insider trading regulations are complied with in such cases.

Monitoring will focus on areas like:

- i) Company strategy and performance – operational and financial
- ii) Industry level monitoring and possible impact on the investee companies
- iii) Quality of company management, board, leadership
- iv) Corporate governance inclusive of remuneration, Board structure, and related

- party transactions
- v) Risks including environmental, social and governance risks
- vi) Shareholder rights and grievances

The Fund may specifically identify situations where it does not wish to be actively involved with the investee companies e.g. in case of small/non-material investments in investee companies.

4.4 Principle 4: Intervention in Investee Companies

The Fund may choose to intervene in the Investee companies if such issues arise which are not ordinary in nature when identified (special scenarios not pertaining to business activities). The level of such intervention will be entirely dependent on the type of issue and may take place on matters considered trivial, if the circumstances so demand. The Fund shall intervene in the acts/omissions of an investee company, in which it is has invested at least 5% of Investible Funds.

Circumstances for such intervention may include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation or even when passive investment policy is followed or the investment is below the stated threshold of 5% of Investible Funds. The intervention may be in the form of calling the general meetings, keeping close tab on business performance, monitoring the decision of the management team, consultations with management on approach for resolving the issues.

In case of escalation, steps such as collaboration with other investors, voting against certain decisions, etc. may be undertaken. The levels of intervention and circumstances may or may not be disclosed as per the internal decision and adhering to the Fund's confidentiality policy. Nature of interventions/escalation may also include interaction with the investee companies through institutional investor associations. A Committee may be appointed to resolve such issues after thoroughly analysing the case.

Levels of intervention may be as follows:

- i) **Initial Analysis:** The matter is assessed, and if the matter can be resolved easily with slight intervention in terms of providing suggestions to management;
- ii) **Thorough Analysis:** A thorough run of the background of the issue, history of such past cases and brainstorming for the best possible solution to resolve the issue at hand;
- iii) **Involving Management:** Depending on the seriousness of the issue, the management, Board etc. may be involved so as to obtain a conclusive result;

Timely follow-up of the issue (in case it persists for a long term) after a reasonable amount of time has passed and preparing for any such future contingencies can be done.

Collaboration with other institutional investors:

- i) The Fund shall consider collective engagement with other institutional investors and other 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. The Fund may approach, or may be approached by, other Asset Managers, including insurers, AIFs, FPIs, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.
- ii) The Fund shall also, where permitted, collaborate with other institutional investors, professional associations such as Indian Association of Alternative Investment Funds, General Insurance Council of India, Life Insurance Council, General Insurers' Public Sector Association, and/or other proxy / their proxy advisory firms; regulators such as SEBI, Pension Fund Regulatory and Development Authority, IRDAI, and other policy makers to solicit views.

The Fund shall 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 and market manipulation.

4.5 Principle 5: Voting Policy and Disclosure of Voting Activity

The Investment team will be responsible in ensuring full and timely disclosure of voting resolutions as per the approved Voting Policy. The voting decisions should however be made by the Investment Manager after conducting an in-depth analysis of the investee company and not by supporting management decisions without having some insights.

The Voting Policy inter alia includes the following:

- i) The Investment Manager to use available mechanisms for voting (e-voting, physically attending meetings, voting through proxy)
- ii) The Investment Manager shall consider voting on all shareholder resolutions of all investee companies if the investment in these exceeds 5% of Investible Funds;
- iii) Proposals to be assessed on the parameters mentioned in this Policy including but not limited to **Principle 1** and **Principle 2** (Conflict of Interest) which need to be considered for a decision to vote for or against or abstain from voting.

Disclosure of voting shall include:

- i) Manner of disclosure in Annual report to investors.
- ii) Disclosure shall also include scope of proxy advisory services, details of service providers, extent to which Fund rely on such services wherever external services have been utilized.

4.6 Principle 6: Periodical Reporting & Review of Policy & Disclosures

- i) The Fund will comply with reporting regulations and will disclose a report on implementation of every principle set out in this Policy, including conflict management on the Fund's website on the basis of occurrence of relevant events;
 - ii) Disclosure on Voting shall comprise of each important facet and fully disclose the voting decisions and policies and the same shall be ensured as on March-end of every year in accordance with provisions indicated in **Principle 5** above;
 - iii) The Investment Manager shall have authority to approve the Stewardship policy and any changes therein. The Investment Manager shall review the Policy on biennial basis or at an earlier frequency if deemed necessary;
 - iv) The updated policy shall be disclosed publicly on the Fund's website as and when done. Any changes in the applicable regulatory provisions shall automatically be deemed to be incorporated into this Policy.
 - v) The Investment Manager 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).
-