EQ
India Fund

EQ INDIA FUND (“SCHEME”)

A scheme of Equity Intelligence AIF Trust, an Alternative Investment Fund - Category III (‘the Fund’), a SEBI registered Category III Alternative Investment Fund set-up under the SEBI (Alternative Investment Funds) Regulations, 2012 (‘AIF Regulations’)

STEWARDSHIP CODE

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Introduction

Stewardship is the responsibility attributed to an institutional investor to monitor, oversee and manage the capital invested in companies in order to create long-term value for its clients/beneficiary. Stewardship code is a set of principles or guidelines aimed primarily at institutional investors, who hold shares, and thus, voting rights in investee companies to fulfill its fiduciary obligations towards clients. At the investee company level the stewardship codes promote high standards of corporate governance by requiring investors to monitor and, where necessary, engage with companies on material matters, including environmental, social, governance, strategy, performance and risk issues and to vote their shares at company AGMs.

This document on Stewardship Code (‘Code”) sets out the framework and guidelines on discharge of the stewardship responsibilities of Equity Intelligence India Pvt Ltd, being the Investment Manager to SEBI registered Category III Alternative Investment Fund, EQ India Fund. The Code has been framed in accordance with Guidelines on Stewardship Code for Alternative Investment Funds issued by SEBI vide circular no CIR/CFD/CMD1/ 168 /2019 on December 24, 2019.

This Code documents the guiding principles to be adopted and followed by the Equity Investment team/ Investment Committee (members of Investment team to whom this role has been assigned) (hereinafter referred to as “Investment team/ Investment Committee”) of EQ and this Code will be referred to as the 'Stewardship Code' for EQ. The Code is prepared on the basis of principles enumerated in the said SEBI circular. The Investment team shall always be at liberty to decide their dealing strategies, keeping in mind the investment objectives of the scheme, though the same may conflict with the principles specified in the Code.

The Code shall act as guidance to the Investment team for discharging the stewardship responsibility, however, this code is not intended to curtail / restrict the fund management activities of EQ.

Stewardship Code for Alternative Investment Funds

Stewardship aims to promote the long-term success of investee companies in a manner that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, asset managers, investors and enhances the quality of capital markets.

The Code enumerates the processes intended to be followed in order to safeguard the interests of the investors of the fund while managing the investments in listed equities under various schemes of AIF. The purpose of the Code is to enhance the quality of engagement between institutional investors and the investee companies as a step towards improved Corporate Governance practices with a view to enhance long term returns to investors and the governance responsibilities.

EQ India Fund ("AIF") has adopted this Stewardship Code as per the SEBI regulations and is effective from 1 April 2020.

Principle 1: Key Stewardship Responsibilities

1.1. The Primary Stewardship Responsibilities of The AIF shall take into account the investment philosophies of the fund:

a) enhance shareholder/investor value through productive engagement with investee companies on various matters including performance (operational, financial, etc.), corporate governance (board structure, executive remuneration), material environmental, social and governance ("ESG") risk or opportunities, capital requirements and deployment, strategy, entering a new sector or jurisdiction, etc.;
b) vote and engage with investee companies in a manner consistent with the best interests of its investors;
c) in the investment process, in addition to financial and operational performance metrics, take into consideration the investee companies' policies and practices on environmental, social and corporate governance matters;
d) influence the development of corporate governance standards and corporate responsibility;
e) be accountable to investors within the parameters of professional confidentiality and regulatory regime; and
f) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.
g) The Committee has set a threshold level primarily based on the materiality of the issue and the size of our exposure to the individual investee company, beyond which the exposure to the investee company will be deemed to be 'meaningful'.
   (i) The threshold level presently decided is investment in 5% of the paid up capital of the investee company.
   (ii) The threshold level will help in determining the level of engagement, monitoring and intervention with the investee company.
   (iii) The Committee is empowered to modify the meaningful threshold level, as it deems appropriate.

1.2. Discharge of Stewardship Responsibilities: The AIF shall discharge its stewardship responsibilities through:

a) using resources, rights and influence available at their disposal;
b) Attend investor calls and general meetings
c) Shall endeavor to have detailed discussions with the management and interactions with the investee company managements and boards;
d) voting on board or shareholders' resolutions, with a view to enhance value creation for the investors and the investee companies;
e) advocating for responsible corporate governance practices, as a driver of value creation; and
f) intervening on material ESG opportunities or risks in the AIF's investee companies.
g) The investment committee shall ensure that there is an effective oversight of stewardship activities.

1.3. Disclosure / Periodic review of Stewardship Code: The Stewardship Code shall be reviewed annually (or earlier if there are any material developments). Any amendments made shall be disclosed.

Principle 2: Managing Conflict of Interest

2.1. The term "conflict of interest" refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of the AIF (including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company.

2.2. Avoid conflict of interest: The employees, officers and directors of the AIF shall undertake reasonable steps to avoid actual or potential conflict of interest situations. 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 the CEO or the Investment Committee.

2.3. Identifying conflict of interest: While dealing with investee companies, the AIF may be faced with a conflict of interest, inter alia, in the following instances, where:

a) the AIF and the investee company are associates or are part of same group; or
b) the investee company is also a client of the AIF or its group companies or affiliates;
c) the AIF is a lender to the investee company;
d) the investee company is partner or holds an interest, in the overall

business or is a distributor for the AIF's group;

e) any of the group companies or affiliates of the AIF is a vendor or partner of the investee company;

f) a nominee of the AIF has been appointed as a director or a key managerial person of the investee company or cross-directorships;

g) a director or a key managerial person of the AIF has a personal interest in the investee company;

h) the AIF (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.

2.4. Manner of managing conflict of interest:

a) The AIF shall bring up conflicts of Interest or suspended conflict of interest matters to Investment Committee. The Committee shall maintain records of the minutes on such decisions.

b) Rationale for voting on each shareholder resolution shall be recorded in the internal records of the AIF.

c) A potential conflict of interest in relation to an investee company shall be reasonably highlighted in the internal compliance system.

d) Save as in the ordinary course of business, the members of the Conflict Committee shall not engage with the investee companies outside the scope of their duties under the Stewardship Code.

e) The AIF will abstain from voting if the AIF and the investee company are part of the same group.

f) The interests of the clients will take precedence over the interests of the AIF (and its employees, directors and officers). Therefore, the AIF will vote in the interests of its clients.

g) Business level conflicts shall be resolved on a case to case basis by the Conflicts Committee, after factoring the relevant considerations.

h) Conflicted employees, directors and officers will not be allowed to participate in the discussions and voting decisions / transactions in which they are interested.

2.5. Periodic review and updates to the conflict of interest policy: The Investment Committee shall review the manner in which conflict of interest are arising and how they are being resolved annually (or earlier if there are any material developments) and adopt necessary actions, and disclose publicly any material developments.

Principle 3: Monitoring of Investee Companies

3.1. The AIF shall monitor their investee companies.

3.2. Manner of Monitoring:

a) The Committee shall be responsible for the supervision of the monitoring of the investee companies' business strategy and performance, industry risk and opportunities, impact the investee companies make, risk, capital structure, leadership effectiveness, remuneration, corporate governance performance including remuneration, structure of the board (including board diversity, independent directors etc.), related party transactions etc., risks including shareholder's rights, their grievances etc. among other matters.

b) The AIF may use publicly available information, sell side research and industry information and shall engage with the investee companies AGMs at least once in a year, to monitor the investee companies.

c) The AIF shall inform the investee companies to not share any unpublished price sensitive information with the AIF which would make the AIF an 'insider', without a specific prior agreement with the AIF. While dealing with the investee company, the AIF shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015. AIF 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.

d) 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 process which are in compliance of the applicable Regulations

3.3. Identify the responsibilities of the investee companies: The AIF shall review the investee companies' business strategy and performance, industry risk and opportunities, impact the investee companies make, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance including structure of the board (including board diversity, independent directors etc.), related party transactions etc., risks including, cultural, social and environmental matters shareholders rights, their grievances etc. among other matters

Principle 4: Active Intervention in the Investee Company and collaboration with other institutional investors

4.1. ***Applicability***

a) The AIF 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 poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, ESG issues, leadership concerns, related party transactions, corporate plans/ strategy, CSR, litigation or any other related matters.

4.2. ***Intervention by the AIF:*** The decision for intervention shall be decided by the fund manager based on the following broad parameters:

a) The AIF shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment.
b) The AIF may consider intervening in matters below the thresholds, if in the reasonable opinion of the fund manager, the issue involved may adversely impact the overall corporate governance atmosphere or the AIF's investment.

4.3. The AIF's intervention and escalation policy is as follows:

a) ***Engagement***: The AIF shall take all reasonable steps to address its concerns, including steps to be taken to mitigate such concerns, with the investee company's management through participation in investors calls and general meetings.
b) ***Re-engagement***: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the AIF within a reasonable timeframe, the AIF shall take all reasonable steps to re-engage with the management to resolve the AIF's concerns.
c) ***Escalation***: In case there is no progress despite the first two steps, the AIF shall escalate the matter to engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. The AIF may also consider discussing the issues at the general meeting of the investee company or may consider voting against the relevant matters.
d) Collaboration with other Institutional Investors: In select cases, collaboration with other investors', especially institutional investors, may be the most effective manner to engage with the investee companies.
   (i) Collaborative approach is not only cost effective; it is efficient and potent as well as is likely to deliver the desired results. In such instances, we may willingly initiate action or support other investors' actions.
   (ii) EQ may choose to engage with the investee company in collaboration /consultation with the other institutional investors, whose interests are aligned with EQ, in order to have a wider group of investors representing a larger proportion of shareholders to engage with the company.
   (iii) EQ may also choose to involve industry associations or forums to engage with the investee company, if it deems it appropriate.
   (iv) In taking collaborative action, we would be cognizant of legal and regulatory requirements, including on market abuse, insider dealing, persons acting in concert as per SEBI takeover regulations.

e) The Committee/ Fund Manager shall consider other intervention mechanisms such as
   (i) expressing their concern collectively with other investors or through AIFs associations;
   (ii) making a public statement;
   (iii) submitting shareholders resolution or voting against decisions etc.;
   (iv) seeking governance improvements and/or damages through legal remedies or arbitration; and
   (v) exit or threat to exit from the investment as a last resort.

f) ***Reporting to the Regulators:*** If there is no response or action taken by the investee company same shall be reported to the regulatory authorities.

g) In case the AIF's intervention is not successful (either fully or partially), it will not automatically result in the AIF being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of the AIF's investment in the investee company shall be made by the Committee, which may consider the outcome of the intervention as an input in its decision-making process.

4.4. The AIF 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.

Principle 5: Voting and disclosure of voting activity

5.1. Applicability
The AIF shall exercise their right to vote on all shareholder resolutions of all investee companies. In such cases, the AIF shall make informed and independent voting decisions, applying due care, diligence and judgment across their entire portfolio in the interests of its shareholders/ investors.

5.2. Voting decisions shall be made in accordance with the Fund Manager's discretion.

5.3. Attendance at General Meetings: The AIF shall strive to attend general meetings of the investee companies (as well as any extra ordinary shareholders' meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings.

5.4. The AIF shall be required to record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal including how potential conflicts of interests are addressed in the exercise of voting rights.

5.5. The AIF shall disclose all voting activity on a quarterly basis.

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Principle 6: Reporting of Stewardship Activities

6.1. The AIF shall also on an annual basis report its compliance status with the Stewardship Principles in an easy to read format and shall such reports in the annual intimation made to its investors.

6.2. EQ will disclose on website the implementation of the principles enlisted in the Code as and when it considers the same to be appropriate. The format of disclosure will be approved by Committee and would be subject to regular updates.

6.3. Disclosures on the votes cast by EQ for all the resolutions put forth by the investee companies for shareholders' approval will be published when deemed appropriate depending on the threshold limit. EQ may circulate to investors a status report for every financial year, as part of annual intimation to the investor.