

STEWARDSHIP CODE

MIRAE ASSET INVESTMENT MANAGERS (INDIA) PRIVATE LIMITED

MIRAE ASSET INVESTMENT MANAGERS (INDIA) PRIVATE LIMITED

Background

The purpose of this policy is to describe the approach taken by Mirae Asset Investment Managers (India) Private Limited ('the AMC') to stewardship based on the principles indicated by Securities Exchange Board of India ('SEBI') vide circular no. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 ('SEBI Circular'). The purpose of the Stewardship Code is to enhance the quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns to Unitholders and the governance responsibilities.

Scope

This note covers the policy framework and the various processes that need to be followed for discharging Stewardship responsibilities and its disclosure by the AMC. This policy is applicable for Mutual Fund as well as AIF (Alternative Investment Fund) activities undertaken by Mirae Asset Investment Managers (India) Private Limited.

Policy Statement

Mutual Funds are significant institutional investors particularly in listed companies. Given the above, it is desired that Mutual Funds should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance standards and practices. This will result in informed decisions by the parties and enable protection of Unitholders interest.

Therefore, based on the principle and in accordance with SEBI Circular, this Policy is being framed to implement a code for stewardship for the AMC.

What is the Stewardship Code?

Stewardship Code is in the form of a set of principles that are being uniformly adopted for institutional investors like Mutual Funds, Insurance Companies, Pension Funds, Foreign Portfolio Investors (FPIs), Alternate Investment Funds (AIFs), etc. The AMCs commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its investee companies, the Unitholders and the economy as a whole benefit and minority interest also remains protected. Stewardship includes voting as well as monitoring and engaging with investee companies on matters such as strategy, performance, risk, capital structure and corporate governance and avoidance of conflict of interest.

This Code/Policy broadly requires the AMC to follow below principles as regards their conduct at general meetings of the Investee Company and disclosures thereto:

Stewardship Principles

Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

Internal Policies for Stewardship Activities

The AMC has implemented the following documented policies in order to effectively carry out the stewardship activities.

- **Policy for Exercising Voting Rights**
In order to act in the best interest of the Unitholders, the AMC thoroughly executes the voting rights based on the Voting Rights Policy. This policy details specific guidelines regarding execution of voting rights in different scenarios.
- **Policy for Prevention of Conflicts of Interests**
The AMC has implemented Conflicts of Interests Policy in order to preemptively prevent conflicts of interests and conduct its business according to the principle that it must manage conflicts of interest fairly, both between itself and its investor and between one investor and another. This policy enlists the Potential Conflicts of Interest and Identifying and Managing Conflicts of Interest.

The AMC will regularly monitor and review these policies and, if necessary, revise them.

The Investment Committee shall be in charge of shareholder engagement activities and voting rights, and shall utilize corporate monitoring materials provided by the analysts and fund managers. Separately, the Compliance Team shall monitor the potential conflicts of interests, which may arise during the course of carrying out the stewardship activities.

Importance of Non-financial Factors

In order to effectively carry out the stewardship responsibilities at the time of making investment decisions, we must understand not only our investee companies' financial matters, but also their non-financial matters including ESG (environmental, social, and governance). Even if a company has shown consistent excellence in its financial performance, inadequate level of performance in such non-financial aspects would hinder the improvement of a company's value from a mid- to long term perspective. Thus, during the investment decision phase, the experienced analysts and fund managers of the AMC would comprehensively consider financial and non-financial aspects, with special attention to corporate governance.

Utilization of Third-Party Professionals

In order to effectively carry out stewardship responsibilities, the AMC may use the services of third-party professionals. By using such services, the AMC will be able to prevent potential conflicts of interests that may arise during the performance of stewardship activities, and also secure professional expertise.

However, even if the AMC utilizes the services of third-party professionals, the AMC will always bear the final responsibility regarding the stewardship activities.

Training

All the personnel involved in the implementation of the Stewardship Policy shall be trained to be made aware of their responsibilities.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Prevention of Conflicts of Interests

With our clients' best interests at our utmost priority, we have a fiduciary duty to the assets we are in charge of. We also have in mind the possibility of conflicts of interests between interested parties in the course of carrying out our stewardship responsibilities. In order to ensure strict management of such issues, we have thus enacted a separate Policy for Conflicts of Interests.

As part of our policy for the prevention of conflicts of interests, we have established information exchange barriers (Chinese Wall). Such information exchange barriers serve to prevent undisclosed material information from being accessed by unauthorized employees, departments, or external parties.

Identifying conflict of interest:

While dealing with investee companies, the AMC may be faced with a conflict of interest, in an instance, where the investee company holds a material interest, in the overall business or is a distributor for the AMC. There may be a conflict of interest if a nominee of the AMC has been appointed as a director or a key managerial person of the investee company, or the AMC and the investee company are part of the same group. The AMC would look out for any other situations that may potentially lead to a conflict of interest. Individual employees holding stocks of investee companies may also face conflict of interest when dealing with the same companies on behalf of the AMC.

Managing Conflict of Interest:

In order to ensure the protection and primacy of client's interests and to comply with the applicable regulations, the AMC has implemented policy and procedures aimed at preventing situations involving conflicts of interests and resolving such situations should they arise.

The AMC manages the potential conflict of interest situations as under:

- a. In the usual course of AMC's business, any services engaged with investee companies including associates, sponsor & group companies shall be selected in the best interests of the AMC/AMC's clients. The services shall be selected on an *arms-length basis*
- b. The policy will allow for persons to recuse from decision making in case of the person having any actual/potential conflict of interest in the transaction.

Prevention of Conflicts of Interests in Exercising of Voting Rights

The AMC as an institutional investor, actively exercises its voting rights to fulfill its governance responsibilities. While exercising such rights, the AMC will not compromise its duty of care to its investors, and will comply with the principles in a consistent manner which prioritizes the best interests of unitholders. However, the AMC recognizes the possibility that independence in exercising voting rights may be hampered or conflicts of interests may arise between interested parties, due to our ownership structure, transaction, or contractual relations.

The primary examples of situations where conflicts of interests may arise in exercising voting rights

are as below.

- Exercising votes in shareholder meetings of companies (and their subsidiaries) wherein the AMC has actual or potential business relationships with.
- Exercising votes in companies in which high level executives and largest shareholders (including related parties) are acting as a director or shareholder.

The basic principle to prevent conflicts of interests related to voting rights is to cast votes for or against proposals based on the Voting Rights Policy. In addition, the AMC strives to effectively manage conflicts of interests through the use of third-party professionals' analysis and the information exchange barriers explained above. Further, there will be a clear segregation of the voting function and sales functions.

Countermeasures to be taken in the Event of Conflicts of Interests

The AMC will try to prevent conflicts of interests in advance. However, there is a possibility that it cannot completely bar the possibility of such conflicts from arising at all. Despite the above measures in place, if it is determined that it would be difficult to lower the possibility of such conflicts from arising, the AMC will take appropriate measures for the benefit of best interests of the Unitholders.

Principle 3: Institutional investors should monitor their investee companies

The analysts and fund managers of the AMC recognize the importance of monitoring investee companies on a regular basis. In addition to the basic monitoring of financial factors, they also examine the investee companies' status with more proactive measures, for example, by making communication and dialogue with such companies.

In the course of monitoring investee companies on a regular basis, the AMC considers both financial and non-financial (environmental, social, governance, etc) factors. In order to raise the investment value from a mid-to long-term perspective, it is necessary to comprehend financial and non-financial factors in a comprehensive manner.

If the analysts and fund managers find concerning issues during the monitoring phase, they discuss with the Investment Team to determine whether additional shareholder engagement activities are needed. If it is determined that such additional activities are needed, the Investment Team will take appropriate measures.

Monitoring of Investee Companies

Frequency and process to monitor the activities of Investee Company shall be annually.

The Equity Investment team will be accountable for monitoring all the companies in which the schemes invests in.

The mechanism adopted for monitoring purpose will but not limited to:

- Publicly available information
- Management interaction through meetings/ con-call
- Broker research and inputs
- Industry information

Though most of the companies interact with institutional investors, in some cases, few of our investee companies don't interact as management is not accessible or investment team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.

The investment in the company should be above the threshold level as determined by the Stewardship Team for active monitoring of investee companies. Currently the threshold for monitoring is 4% of the paid up capital of the Investee Company. If the combined holding across all schemes of Mutual Fund is exceeding 4% of the paid up capital of the Investee Company, active monitoring shall be done by the Equity Investments Team.

However, the Investment Committee can decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

Key areas for monitoring include the following:

- Company strategy and performance - operational, financial etc
- Industry-level monitoring and possible impact on the investee companies.
- Quality of company management, board, leadership etc.
- Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
- Risks, including Environmental, Social and Governance (ESG) risks
- Shareholder rights, their grievances etc.

Engagement Strategy

The Equity Investment team shall decide the engagement strategy based on internal research. The final decision should be approved by the Investment Committee.

Receiving of Unpublished Price Sensitive Information

In some circumstances, companies may seek the involvement of fund manager/analysts in corporate transactions, which may lead them to receive sensitive information. They may also receive Unpublished Price Sensitive Information (UPSI) in the course of an engagement. If any personnel of the AMC were nevertheless to become an insider, or to receive USPI, they would follow the relevant process as mentioned in the Insider Trading Policy including abstaining from any activity that could constitute a breach of the applicable law or regulation or the Insider Trading Policy.

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

Active intervention in the Investee companies

The AMC may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

Decision for intervention will be decided by the Equity Investment Team and disclosed to the Investment Committee. The circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, ESG risks, leadership issues, litigation, Inequitable treatment of shareholders, Poor business strategy, Non-compliance with regulations etc.

The AMC shall in its discretion consider intervention even for investments made by a passive scheme i.e. Index Fund or Exchange Traded Fund or if the volume of investment is low, if the circumstances so demand.

First step: Interaction:

The meeting(s) with investee companies are to be conducted in a confidential manner with a view to resolve the issue constructively. If dissatisfied with the response of the investee company, the AMC will proceed to escalate the matter further.

- a. **Engagement:** Sending letters to individual investee companies, one-to-one meetings with the management team, engagement with specific teams etc. to resolve any concerns including steps to be taken to mitigate such concerns.
- b. **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the AMC within a reasonable timeframe, the AMC shall take all reasonable steps to re-engage with the management to resolve its concerns.
- c. **Collaboration:** The AMC shall also consider collaboration with other institutional investors, professional associations like AMFI, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.
- d. **Escalation:** In case there is no progress despite the above three steps, the AMC may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, the AMC may take appropriate steps to resolve the concerns including exiting its investments.
- e. **Voting:** The AMC will vote against or abstain from voting in case the governance practices of the investee company are improper.
- f. **Legal Recourse:** The AMC may take a legal recourse against a company if deemed necessary instead of exiting its investment.
- g. **Blanket Bans:** The AMC may consider extending a blanket ban on a section of companies or create a list of black-listed companies as required if there is no engagement or improvement from the companies' side.

Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Policy on Voting Activities

Through the exercise of voting rights in a faithful manner, the AMC intends to enhance the mid-to long term investment value for the Unitholders and to fulfill stewardship responsibilities. Voting rights are the fundamental rights of a shareholder, and as such, the AMC recognizes that such rights are a crucial mean to improve the corporate governance structure of an investee company. The exercise of voting rights is governed by the Voting Rights Policy.

The basic principle regarding voting rights is to exercise rights based on stewardship responsibilities and to vote in favor of an agenda that is in line with the mid- to long-term interests of our Unitholders

and beneficiaries. On the other hand, the AMC would vote against any agenda contrary to such interests. This means that the AMC can oppose to an agenda that could impair shareholders' rights or damage the mid- to long-term corporate value of an investee company.

A decision to invest in an issuer is based in part on a fund manager's analysis of the performance of management and the corporate governance of the issuer. Since a decision to invest is generally an endorsement of management of the issuer, the AMC will generally vote with management on routine matters. However, since a fund manager must be focused on shareholder value on an ongoing basis, it is the responsibility of the fund manager to be aware of the potential investment implications of any issue on which security holders are asked to vote.

Use of Outside Advisory Services

The AMC may utilize outside professionals' advisory services to secure expertise and objectivity of voting rights and also to enhance the fidelity of voting rights execution. However, even if such services are used, the obligation to faithfully execute voting rights is with the AMC. Therefore, while the recommendations from the external advisory professionals are utilized for reference purposes only, the final determination and decisions are made by the AMC.

Disclosure of Voting Activities

The AMC discloses the exercise of voting rights in order to ensure transparency. The details of actual voting i.e. whether voted for/against/abstained and the rationale for such voting shall be disclosed on a quarterly basis on the website.

Further, on an annual basis, the AMC obtains certification from a scrutinizer on the voting reports being disclosed by them. Such scrutinizer's certification is submitted to trustees and also disclosed in the annual report and on the website.

Principle 6: Institutional investors should report periodically on their stewardship activities.

The AMC will disclose all the activities undertaken by the Equity Investment team, as mandated by the Investment Committee, in regard to implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosure on an annual basis.

The report shall outline details with respect to implementation of every principle. The report shall also form part of the Annual report which is sent to the Unitholders.

However, it may be noted that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the institutional investor to sell a holding when it is in the best interest of clients or beneficiaries.

Review by Board of AMC and Mirae Asset Trustee Company Private Limited ('Trustee'):

The Stewardship policy shall be reviewed periodically by the Board of AMC and Trustee. Any updations in this Stewardship policy will be disclosed on the website.