

**UNIFI AIF**

**STEWARDSHIP CODE**

Content:

1. Introduction

2. Key Principles adopted –

Principle 1 – Discharge of Stewardship Responsibilities

Principle 2 – Managing Conflict of Interest

Principle 3 – Monitoring of Investee Companies

Principle 4 – Active intervention in the Investee companies

Principle 5 – Voting and disclosure of voting activity

Principle 6 – Disclosures

## 1. Introduction

Unifi Capital Private Limited (UNIFI) acts as the investment manager to schemes of UNIFI AIF. SEBI vide its circular No. CIR/CFD/CMDI/168/2019 dated December 24, 2019 (“SEBI Circular”) has mandated all Alternative Investment Funds (AIF) to follow the Stewardship Code in relations to the schemes’ investments in listed equities of companies (Investee Companies). We, at UNIFI view Stewardship as a step towards improved corporate governance in the investee companies and improving the interest of investors. The principles espoused in the Stewardship Code (“Code”) will govern few aspects of our fund management activities namely monitoring of investee companies, our engagement with investee companies and voting on resolutions of the investee companies and the disclosures of proxy voting.

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

Our Stewardship Code must be read in conjunction with the Voting Policy of the UNIFI AIF. The usage of words “us”, “we”, “our “, “Company”, “UNIFI”, refers to Unifi Capital Private Limited

## 2. Key Principles adopted in our Code are as follows:

### **Principle 1: How do we discharge our stewardship responsibility?**

The Code is approved by the Board of Directors of UNIFI Investment Managers to UNIFI AIF and shall be effective from the July 01, 2020.

The Board of Directors of UNIFI have approved the terms of reference for the Investment Committee (“Committee”) for discharging the Stewardship obligations. The Committee will 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’. The threshold level will help in determining the level of engagement, monitoring and intervention with the investee company. The Committee is empowered to modify the meaningful threshold level, as it deems appropriate.

The Committee is also entrusted with the power to engage or use the services of any external service providers to support the Committee / Investment team in discharging its stewardship responsibilities. In case the Committee engages an external agency, scope of its services that it proposes to avail will be specified along with the mechanism to ensure that in such case, stewardship responsibilities are exercised properly and diligently. However, the Committee may use its discretion to rely and/or act on the suggestions/ recommendations given by such external service provider(s).

The Board has authorized the Investment Committee (the “Committee”) to carry out any changes in the Code followed by ratification of such change(s) by the Board of UNIFI.

The Committee will also be responsible for reviewing the code every year and / or whenever any changes are to be incorporated in the Code due to any amendment in the guidelines by SEBI for AIFs in India or as may be felt appropriate by the Committee and recommend the same for approval/ratification of the Boards of UNIFI . The Investment team will be guided by the principles provided in the Code, however if there is conflict between discharge of the stewardship responsibilities and the Investment team’s normal fund management activity, the Investment team shall always ensure that they act in the interest of the clients.

A training program shall be formulated for training of Investment team and Committee explaining the responsibility under the Code along with amendments, if any. This may be done through external agency or internal team presentations. The Committee is empowered to decide or amend the frequency and modalities of training under this Code.

The manner of disclosure(s) of Code and amendment there to, on the website of Unifi are provided under the “Principle 6: Disclosures”.

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

From time to time, we may face conflicts of interest in relation to our stewardship responsibilities. However, our approach will be to always to keep in mind interest of our clients uppermost. The voting for investee companies’ resolutions may entail some instances of conflict of interest between the interests of shareholders of UNIFI and the client’s interests. A conflict of interest may be actual, potential, or perceived and may be financial or nonfinancial. As a rule, in all cases of conflicts of interests, the voting decisions of UNIFI will be based on the best interests of the clients.

### **Potential conflicts of interest**

Potential conflicts of interest may arise in certain situations, such as

- The Investee Company is a client of Investment Manager and/or its affiliates.
- In certain cases, wherein any affiliates of the Investment Manager are lender to the Investee Company.
- The Investee Company is a seller whose products or services are important to the business of Investment Manager and/or its affiliates.
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Investment Manager and/or any of its affiliates.
- UNIFI 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 UNIFI group
- A director or a key managerial person of UNIFI has a personal interest in the investee company

UNIFI will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of clients.

**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.

**Principle 3: Monitoring of Investee Companies**

- The Investment Team of UNIFI will be responsible for monitoring the investee companies 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 if 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 Securities dealing Code is established to control in dealing where a person comes into possession of unpublished price sensitive information (“UPSI”) of the investee companies. Under this framework, detailed controls and processes are specified to be followed in case any person is in possession of UPSI. 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 avoid acting based on such information.

#### **Principle 4: Active intervention in the Investee companies**

Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, Corporate Social Responsibility (CSR) and environment & society related matters.

In certain cases, especially if the investment is beyond the meaningful threshold, the Investment team may deem it necessary to escalate the engagement/intervention on issue. 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 UNIFI are represented.

##### **Step 1: Interaction**

In case of instances identified for intervention, UNIFI as an active shareholder will endeavor to engage with the company's management to discuss the concerns, apprehensions, and actions to mitigate these concerns.

In case, where the concerned management of the investee company is not accessible for more than a reasonable period despite requests / reminder, then UNIFI may consider to escalating the matter as per the process laid under Step 3.

## Step 2: Reiteration

If there is no response from the management on the concerns raised or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, UNIFI may re-engage with the management to reiterate the conclusions, or the plans of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.

## Step 3: Escalation

In case there is no progress despite the first two steps, the matter will be discussed at the Committee for further escalation to the Board of Directors of the investee company. If the Committee decides to escalate, then the communication to the Board of the investee company will elaborate the concerns, enumerating inter-alia the past requests for engagement with the management of the company, the past discussions, and the agreed course of actions, etc.

The Investment team shall decide about the direct engagement with the investee company, the approach it shall adopt either for highlighting the routine matters or for carrying out research related activities or for matters are detailed under Steps 1 & 2.

In all cases of engagement/interventions with the management and / or the Board of Directors of the investee company, all communications and discussions are to be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the clients of funds managed by UNIFI.

## **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. 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.
- UNIFI may choose to engage with the investee company in collaboration / consultation with the other institutional investors, whose interests are aligned

with UNIFI, to have a wider group of investors representing a larger proportion of shareholders to engage with the company. UNIFI may also choose to involve industry associations or forums to engage with the investee company if it deems it appropriate.

- In taking collaborative action, Unifi would be cognizant of legal and regulatory requirements, including on market abuse, insider dealing, persons acting in concert as per SEBI takeover regulations

#### **Principle 5: Voting and disclosure of voting activity**

The Investment team shall follow the guidelines for voting on the resolutions of the investee company as specified in the Voting Policy.

#### **Principle 6: Reporting and Disclosures**

UNIFI will disclose on website the implementation of the principles enlisted in the Code. The format of disclosure will be approved by Committee and is subject to regular updates.

Disclosures on the votes cast by UNIFI for all the resolutions put forth by the investee companies for shareholders' approval will be published on quarterly basis, as required by prevailing SEBI guidelines.

This Code, as amended from time to time, will be disclosed on the website of UNIFI along with other public disclosures. Any change or modification to the Code will also be disclosed at the time of updating the code on the website.

The Company in addition to the disclosure on its website as specified above shall also circulate to its clients 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.