UNIFI CAPITAL
Investing With Conviction

STEWARDSHIP CODE

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Background & Objective

The importance of institutional investors in capital markets across the world is increasing and they are expected to shoulder greater responsibility towards their clients/beneficiaries/investors by enhancing monitoring and engagement with their investee companies thereby ensuring the protection of interest of investors in such companies. With this objective in mind, SEBI vide its circular CIR/CFD/CMD1/168/2019 dated December 24, 2019 (hereinafter referred to as "SEBI Circular") mandated all AIFs and Mutual Funds to formulate a Stewardship Code based on six principles laid down by SEBI.

Unifi Capital Private Limited ("UCPL") is committed to effective corporate governance and strict adherence to the Stewardship Code to ensure that its investee companies, investors, and the economy as a whole benefit, while also protecting minority interests.

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 broadly requires the AIFs to follow below principles as regards their conduct at general meetings of the Investee Company(ies) and disclosures thereto.

UCPL, being an investment manager to AIF schemes, has formulated this policy to ensure compliance with SEBI Circular and to enhance the protection of investors in the schemes which are invested in such companies.

Scope

This policy shall apply to all the Schemes of AIFs sponsored and managed by UCPL launched from time to time, unless and until specifically exempted. This policy is a natural extension of the UCPL's responsibility to protect and enhance the long-term economic value of the investors' assets.

Stewardship Policies

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

At UCPL, we believe responsible investment is inherently part of UCPL's investment process and is consistent with our fiduciary duty to manage investments in the best interest of investors.

UCPL employs a robust framework to analyze every stock within the scheme. Each investee company considered for investment or inclusion in the investment universe is backed by a detailed investment rationale, which involves assessing various parameters that may influence the company's operational and financial performance.

Additionally, UCPL will provide specific voting disclosures as prescribed to ensure transparency. UCPL will also remain accountable to the investors in the scheme by upholding professional confidentiality. UCPL would maintain oversight & control over the stewardship activities periodically by the above measures and including the following:

i. Adequate disclosures on the website.
ii. The Investment Committee of UCPL will oversee the stewardship activities, with a commitment to effective policy implementation through annual training of relevant employees. This policy will be reviewed on an annual basis.
iii. The Policy will be reviewed and updated periodically on the UCPL website, with a minimum update frequency of once per year.

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.

(1) Prevention of Conflicts of Interests:

With the investors best interests as the utmost priority of UCPL, then UCPL has a fiduciary duty to the assets under management. UCPL shall also consider the possibility of conflicts of interests between interested parties in the course of carrying out its stewardship responsibilities. In order to ensure strict management of such issues, UCPL has thus enacted a separate Policy for Conflicts of Interests.

As part of its policy for the prevention of conflicts of interests, UCPL has 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.

(2) **Identifying conflict of interest:**

Identification of Conflict - Some of the key instances of conflict could be as follows:

During interactions with investee companies, UCPL might encounter conflicts of interest. These conflicts could arise if the investee company holds a significant interest in UCPL overall business or acts as a distributor for UCPL. Conflict may also emerge if a nominee of UCPL serves as a director or key managerial personnel of the investee company, or if both UCPL and the investee company belong to the same corporate group. Additionally, individual employees who materially own stocks of investee companies may face conflicts of interest when representing UCPL in dealings with these companies.

Further conflicts may arise if the investee company is an investor of UCPL or its affiliates, or if any affiliates of UCPL lend money to the investee company. Conflict might also occur if the investee company is a significant supplier whose products or services are crucial to the operations of UCPL or its affiliates. Additionally, conflicts could arise if the investee company participates in distributing investment products advised or managed by UCPL or its affiliates.

UCPL will remain vigilant for any other situations that could potentially give rise to conflicts of interest.

(3) **Managing Conflict of Interest:**

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

UCPL manages the potential conflict of interest situations as under:

a. In the usual course of UCPL business, any services engaged with investee companies including associates, sponsor & group companies shall be selected in the best interests of the UCPL/ UCPL's investors. 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.
c. Blanket bans on investments in certain cases.
d. Clear segregation of voting function and investor relations / sales functions.
e. Maintenance of records of minutes of decisions taken to address such conflicts.

(4) Prevention of Conflicts of Interests in Exercising of Voting Rights:

UCPL, as an institutional investor, actively exercises its voting rights to fulfill its governance responsibilities. While exercising such rights, UCPL 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 investors. However, UCPL 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 interest may arise in exercising voting right are as below:

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

UCPL will try to prevent conflicts of interests in advance. However, it cannot completely bar the possibility of such conflicts arising. Despite the above measures in place, if it is determined that it would be difficult to lower the possibility of such conflicts arising, UCPL will take appropriate measures for the benefit of best interests of the investors including but not limited to casting of votes under such circumstances.

Principle 3: Institutional investors should monitor their investee companies

The Investment Team of UCPL, which consists of analysts and fund managers, 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. The investment team, in consultation with the Investment committee, may identify situations where active engagement with the investee companies may not be necessitated especially if investment is insignificant, etc. In the case of the investee companies where larger investments are made, we may involve higher levels of monitoring.

In the course of monitoring investee companies on a regular basis, UCPL 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.

Areas of Monitoring:
UCPL shall endeavor to monitor mainly the following aspects of the investee companies:

1. Company strategy and performance - Operational, financial etc.
2. Industry-level monitoring and possible impact on the investee companies.
3. Appointment and removal of statutory auditor including their remuneration.
4. Quality of company management, board, leadership, etc.
5. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
6. Risks, including Environmental, Social and Governance (ESG) risks.
7. Capital Restructuring, merger, amalgamation, etc.
8. Shareholders' rights, their grievances, etc.
9. Litigations.
10. Any downgrades of debt instrument of investee company.

The Investment team will be accountable for monitoring all the Investee Companies in which the schemes invest in.

UCPL may use all or any of the below to monitor the investee companies:

1. Publicly available information/reports.
2. Management meetings.
3. Research reports and industry information.
4. Voting in board or shareholders meetings.
5. Periodic engagement with Management through email/ calls/ meetings.
6. Industry information

Though most of the companies interact with institutional investors, in some cases, few of our investee companies do not 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.

Receipt of Unpublished Price Sensitive Information:
In some circumstances, investee 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 UCPL were nevertheless to become an insider, or to receive USPI, they would follow the relevant process as mentioned in the Employee Trading Policy including abstaining from any activity that could constitute a breach of the applicable law or regulation or the Employee 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

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 of UCPL may deem it necessary to escalate the engagement/intervention on issue. UCPL may intervene in acts/omissions/concerns of Investee Companies, to protect the value of investment. The level of intervention with investee companies' management may vary, depending on several factors, including the size of the investment in the company, the size of the company, its location and its business activities.
The investment team of UCPL may decide to intervene if the investment in the investee company is above the threshold level. However, the Investment team could decide to intervene in companies where the investment is below threshold level, depending on the seriousness of the 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 UCPL are represented.

The meeting(s) with investee companies shall be conducted in a confidential manner with a view to resolving the issue constructively. If dissatisfied with the response of the investee company, UCPL 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 companies fail to undertake constructive steps to resolve the concerns raised by UCPL within a reasonable timeframe, UCPL shall take all reasonable steps to re-engage with the management of the Investee Companies to resolve its concerns.
c. **Collaboration**: UCPL may also consider collaboration with other institutional investors, professional associations like Equalifi and IVCA, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee companies.
d. **Escalation**: In case there is no progress despite the above three steps, UCPL may engage with the Board of the investee companies (through a formal written communication) and deliberate on the concerns. Further, UCPL may take appropriate steps to resolve the concerns, including exiting its investments.
e. **Voting**: UCPL will vote against or abstain from voting in case the governance practices of the investee companies are improper.
f. **Legal Recourse**: UCPL may take legal recourse against an investee company if deemed necessary instead of exiting its investment.
g. **Blanket Bans**: UCPL 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, UCPL intends to enhance the mid-to long-term investment value for the investors and to fulfill stewardship responsibilities. Voting rights are the fundamental rights of a shareholder, and as such, UCPL 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 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 investors and beneficiaries. On the other hand, UCPL would vote against any agenda contrary to such interests. This means that the UCPL can oppose 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 Investee Company 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 Investee Company, UCPL 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.

The team of analyst/fund manager scrutinizes each and every proposal and decides to vote in accordance with its merits. The details on how to assess the proposals and take decisions thereon is also performed by the team of analysts/fund managers. The Investment Committee acts as an escalation mechanism. To have a clearer idea on the voting policy kindly refer to UCPL voting policy.

Disclosure of Voting Activities:

UCPL ensures transparency by disclosing voting rights. On an annual basis, it will report on its voting activities at investee company general meetings on the UCPL website. This will include details on whether votes were cast for, against, or if there was an abstention, along with the rationale for these decisions. AIF will adhere to SEBI's disclosure guidelines and make the required disclosures at the intervals specified by SEBI.

Use of proxy voting advisors:

UCPL avails the services of Institutional Investor Advisory Services India Limited, a proxy voting advisory firm to assist in deciding on various matters that are put to vote by the investee companies. The scope of service for such mandate shall include providing voting recommendations for shareholders meetings and to get access to the online voting platform to enable system-based review of recommendations, and instructions for casting of vote and maintaining records. The recommendations of the proxy advisory firm will be non-binding and final decisions shall be taken by UCPL considering the best interests of the Funds under its care.

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

UCPL will disclose all the activities that they have undertaken to fulfill their stewardship responsibilities as per the 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 the implementation of every principle. The report shall also form part of the annual report which is sent to the investors.

However, it may be noted that 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 investors or clients.

Review of this policy:

UCPL shall review this policy on an annual basis or earlier, if required, considering changes in applicable law and/or for business reasons. The changes/developments shall be communicated to the relevant people as and when necessary, in accordance with the Regulations. In case any further information/clarification is required in this regard, the following person may be contacted:

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