

Aditya Birla Sun Life AMC Limited

Stewardship Policy

Approver	<i>Board of AMC & Trustees</i>
Owner	For MF - CIO For AIF - Head AIF - Equity/Head AIF - Debt
Copy	Risk Management Team, Compliance Team
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1.0 Background

Institutional investors in capital markets are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies. Such activities are commonly referred to as 'Stewardship Responsibilities' of the institutional investors and are intended to protect their clients' wealth. It is seen as a step towards improved corporate governance in the investee companies and gives a greater fillip to the protection of the interest of investors in such companies.

SEBI vide circular CIR/CFD/CMD1/ 168 /2019 dated 24 December 2019 has mandated Stewardship Code for all Mutual Funds and all categories of Alternate Investment Fund (AIF), in relation to their investment in listed equities. The purpose of this policy is to describe the approach taken by Aditya Birla Sun Life AMC Limited (ABSLAMC) to follow the Stewardship code.

2.0 Scope

This note covers the policy framework and the various processes that need to be followed for discharging Stewardship responsibilities and its disclosure by ABSLAMC.

3.0 Policy Statement

Mutual Funds and AIFs are significant institutional investors particularly in listed companies and so it is desired that they play an active role in the general meetings of investee companies and engage with the management at a greater level to improve their governance standards and practices. This will result in informed decisions by the parties and ultimately improve the return on investments of investors and protection of investor's interest.

Therefore, based on the principle and SEBI direction, this Policy is being framed to implement a code for stewardship for ABSLAMC.

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, Pension Funds, Foreign Portfolio Investors (FPIs), Alternate Investment Funds (AIFs), etc.

Stewardship aims to promote long term success and value creation of investee companies in a way that the ultimate providers of capital (the shareholders) also prosper, keeping in view the Governance Standards. ABSLAMC's commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its investee companies, the investors 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, material ESG opportunities or risks, capital structure and corporate governance and avoidance of conflict of interest. The detailed policy will be applicable to Equity securities, and it will be applicable to Debt to the extent it is relevant to the Debt securities.

This Code broadly requires ABSLAMC to follow below principles as regards its conduct at general meetings of the Investee Company and disclosures thereto:

4.0 Compliance with the Stewardship Code

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:

Stewardship responsibilities includes monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

ABSLAMC will ensure that the stewardship policy is comprehensive and will be followed in true spirit.

Policy Review: The Stewardship Policy will be reviewed and updated once every year and will be disclosed on the website of ABSLAMC.

➤ **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.

ABSLAMC is part of a large and diversified Aditya Birla group with companies across spectrum of industries. The actions for company resolutions may entail some instances of a conflict of interest between the interests of shareholders of Aditya Birla group and the investors' interests.

Some of the key instances are as under –

- Any company of Aditya Birla group is the shareholder of the investee company
- The investee company is a customer of ABSLAMC or its group companies or affiliates
- Investment of Investee Company in Aditya Birla Group Companies
- Any of ABSLAMC's group companies or affiliates is a supplier or partner in some aspect of the investee company's business.
- Key managerial personnel of ABSLAMC may have personal interest that conflict with their responsibility to act in the best interests of the Company. Personal interests include direct interests as well as those of family, friends, or other organizations a person may be involved with. Conflict of interest may be actual or potential and may be financial or nonfinancial in nature.
- Investee company's key personnel/promoters could potentially engage into activities that are not in minority shareholder interest. Corporate actions, merger and acquisition are some instances.

ABSLAMC will take necessary steps to resolve such conflict of interests & all the decision will be taken in the best interest of the investors.

To manage the above conflicts of interest, the Company ensures that:

1. The employees in the investment teams shall comply with the policy for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Code of Conduct policy which includes provisions for identifying and managing Conflict of interest.
2. Rationale for voting on each shareholder resolution shall be recorded by the Company.
3. Rationale behind a new investment decision shall be recorded.

➤ **Principle 3**

Institutional investors should monitor their investee companies.

Frequency and process to monitor the activities of Investee Company shall be annual. Investment team will be accountable for monitoring all the companies in which ABSLAMC invests.

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 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.

Key areas for monitoring include strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure, risks, shareholders rights and their grievances etc.

Monitoring on areas like succession planning, ESG issues, related party transactions, remuneration, will be on a best effort basis.

Investments team shall consider the regulations on insider trading and adjudication orders by SEBI/ BSE/NSE etc. while seeking information from the investee companies for the purpose of monitoring.

➤ 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

Strategy

Investment Team shall decide the engagement strategy based on internal research and institutional advisory services.

Active intervention in the Investee companies

ABSLAMC 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 Investment Team based on the disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR, ESG risks, leadership issues, litigation, remuneration etc. The investment in the company should be above the threshold level defined by the Investment team. However, the Investment team can decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

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, ABSLAMC will proceed to escalate the matter further.

Next step: Escalation

First level of escalation will be internally to investment head or committee, where further course of action will be decided which may include decision to divest or escalate the matter to regulatory authorities or collaboration with other investors,

In case there is no progress despite re-iteration through multiple interactions, the matter will be discussed at the Investment Committee of ABSLAMC for further escalation to the Board of Directors of the investee company. If the Investment Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns.

Final step: Reporting to regulators/authorities

Despite escalation if there is no response or action taken by Investee Company, the Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required. In all cases of engagement 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.

Collaboration with other Institutional Investors

In certain cases, engagement with the investee company management or the issues involved in resolutions needs to be voted upon by shareholders may impact all of investors.

Collaboration with other investors could be the most effective manner to engage with the investee companies.

Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

It is only when we believe collaborative action would be an effective means by which investors can exercise appropriate influence; we will willingly initiate action or support other investors' actions.

➤ **Principle 5**

Institutional investors should have a clear policy on voting and disclosure of voting activity

ABSLAMC has formulated a separate voting policy and the same shall be followed / adhered to for voting in Investee Companies. The updated proxy voting policy is available on the website of ABSLAMC.

➤ **Principle 6**

Institutional investors should report periodically on their stewardship activities.

Disclosures

ABSLAMC will disclose all the activities undertaken by the Investment Team-, with respect to implementing this stewardship policy and discharging its responsibilities, on its website, as part of public disclosures, including engagements with companies on their ESG parameters.

Compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries. Effective oversight on the stewardship activities is to be reviewed by Board for compliance with corporate governance code.

ABSLAMC shall furnish a report on an annual basis as per Annexure A, on the status of compliance with the Stewardship Code. The status report shall be placed before the Board of ABSLAMC should be uploaded on the website on or before 30th June every year. The reporting should be done under the principle of “comply or explain”, the reasons for deviation or non-compliance with the Stewardship Principles should be provided in the report. The report shall also be sent as a part of annual communication to its investors.

5.0 Ownership

This policy is owned by the Investment Team

6.0 Responsibilities

The Investment Team:

Equity will monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose.

Compliance Team:

- The updated stewardship policy is available on company's website at all times.
- To upload the status report on compliance with the Stewardship Code i.e. Annexure A after approval from Investment Team is received.

7.0 Policy Review

The Stewardship Policy will be reviewed once every year.

8.0 Annexure A

Format for annual reporting of compliance status of stewardship code

Name of Mutual Fund/AIF :

Period of Report (FY) :

Status of Compliance with Stewardship Principles :

Sr No.	Particulars of Principles of Stewardship Code	Status (Complied, Partly complied, Not complied Deviation)	Reason/ Justification for Partially complied/ non-compliance or deviation