

**SAMVITTI CAPITAL PRIVATE LIMITED**

**STEWARDSHIP CODE**

## **Scope and Application**

Securities and Exchange Board of India (“SEBI”) has in exercise of powers conferred under Section 11 of the Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 36 of SEBI (Alternative Investment Funds) Regulations, 2012, vide circular CIR/CFD/CMD/168/2019 dated December 24, 2019 (“Circular”), mandated all Alternative Investment Funds to frame a stewardship policy in relation to their investment in listed securities to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This stewardship code (“Code”) has been framed by Samvitti Capital Private Limited (“Investment Manager”), the Investment Manager of the following schemes of alternative investment funds (each a “Fund”) in order to ensure adherence to the said circular:

1. (i) Samvitti Capital Alpha Fund I and (ii) Scalper Opportunities, which are schemes of Samvitti Capital Alpha Fund managed by the Investment Manager, organized as a trust under the Indian Trusts Act, 1882, and registered as a Category III Alternative Investment Fund with the Securities and Exchange Board of India under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 with registration number IN/AIF3/15-16/0182.

This Code shall be effective from July 01, 2020.

## **Stewardship Principles**

In order to safeguard the interest of the investors and to enhance monitoring and engagement with the Fund’s portfolio entities, the Investment Manager shall work towards fulfilling the objectives of the following principles:

### **1. Formulation, disclosure, review and updation of the stewardship code**

The Investment Manager has formulated this Code to discharge its stewardship responsibilities in accordance with the Circular. The crux of this Code banks on the view of the Investment Manager that the assessment of a portfolio entity's ability to create, sustain and protect value is an integral part of the investment of the Fund. This assessment is undertaken by way of monitoring and engaging with the portfolio entities.

#### **A. Engagement and Monitoring**

The Investment Manager aims to enhance the returns for the investors by improving and fostering the corporate value and sustainable growth of the portfolio entities through constructive engagement based on an in-depth knowledge of the portfolio entities and their business environment.

It is the Investment Manager’s belief that by actively engaging with the portfolio entities, the Investment Manager may further enhance its understanding of the issues faced by portfolio entities and the approaches utilised by the portfolio entities towards managing such issues. Engagement of this nature shall help the Investment Manager in protecting and enhancing the value of the Fund’s investments in the portfolio entities.

The Investment Manager believes that it is in the interest of the Fund to question and challenge portfolio entities about the issues that may affect such portfolio entity's value and operations. The Investment Manager will engage with portfolio entities on the following issues which may include, but are not limited to:

- (i) financing and capital allocation/capital structure;
- (ii) management and operations;
- (iii) acquisitions and disposals;
- (iv) internal controls;
- (v) business strategy;
- (vi) performance;
- (vii) the membership and composition of governing bodies/boards and committees;
- (viii) risk management;
- (ix) industry level issues;
- (x) related party transactions;
- (xi) shareholder rights/ grievances;
- (xii) sustainability;
- (xiii) corporate governance;
- (xiv) remuneration;
- (xv) environmental and social responsibility etc.

While the Investment Manager may employ a myriad of approaches towards engaging with the portfolio entities, the Investment Manager shall typically engage in one of the following ways:

- (i) One-to-one meetings with the management/representatives of the portfolio entities;
- (ii) Written correspondence;
- (iii) Phone calls;
- (iv) Discussions with appointed consultants and stakeholders of the portfolio entities;
- (v) Collective engagement with other investors of the portfolio entities.

The Board of Directors of the Investment Manager have assigned the onus of ensuring compliance with this Code with the respective key investment teams of the Funds (in each instance the respective "**Key Investment Team**").

The Key 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 normal fund management activity, the Key Investment Team shall always ensure that they act in the interest of the investors.

#### **B. Disclosure, Review and Updation of the Code**

This Code shall be reviewed and updated periodically, at such intervals as may be deemed fit by the Investment Manager, to ensure that it is updated with best practices and is accurate in describing the Investment Manager's activities with regards to the portfolio entities. The Code shall be disclosed to all current and prospective investors of the Fund and shall be disclosed on the Investment Manager's website.

The personnel involved with implementation of this Code shall be adequately trained and instructed with regards to implementation of this Code. Such training and instruction could either be delivered by way of a ‘training policy’ created by the Investment Manager or in any other manner as may be determined by the Investment Manager. In the event any of the activities under this Code are outsourced by the Investment Manager, this Code shall be updated to provide for a mechanism to ensure that in cases of such outsourcing, the stewardship responsibilities are exercised properly and diligently.

## **2. Formulation of policy related to management of conflicts of interest and disclosure of the policy**

The Investment Manager gives the highest priority to safeguarding and protecting the investor’s interests. However, as conflicts of interest are an inherent risk, the Investment Manager has laid down procedures and policies to mitigate and manage such conflicts and protect the interest of investors in the Fund against any adverse consequences arising from such potential conflicts of interest.

### ***A. Possible scenarios for potential conflicts of interest***

- ***A conflict could arise at following levels:***

- (i) ***At the level of employee of the Investment Manager***

The employees of the Investment Manager that provide services to the Fund will have, in addition to their responsibilities for the Fund, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Fund and such other projects and clients.

- (ii) ***At the level of the Investment Manager***

Investment opportunities identified by the Investment Manager may be suitable for the Fund and/or an interested party (i.e. Investment Manager and its affiliate/group entities, directors, employees and agents). There cannot be any assurance that an investment opportunity that comes to the attention of the Investment Manager will be referred or otherwise made available to the Fund. It could instead be made available to an interested party as well.

- (iii) ***At the level of the sponsor***

The sponsors of the Funds may act as a sponsor of other funds and will be required to maintain a continuing interest with each such fund. Accordingly, they may have conflicts of interests in allocating their resources and time for each fund.

- (iv) ***At the level of the sponsor/ Investment Manager group entity, in relation to various schemes managed by the sponsor/ Investment Manager***

The Investment Manager, sponsors and their affiliates may be involved in a variety of advisory, management and investment-related activities including management of other funds in future. The Fund shall not have any rights in or to any cash receipts or profits of the Investment Manager, sponsors, and any of their affiliates. The Investment Manager, sponsors and any of their affiliate/group entities may, from time to time, act as investment managers or advisers to other entities, companies or funds other than the Fund. It is therefore possible that the Investment Manager, sponsor and their affiliates may in the course of their business have potential conflicts of interest inter-se different activities.

- ***A conflict could arise in the following situations:***

- (i) *Investments in portfolio entities in which interested parties have interests:* The Investment Manager while acting as the investment manager of the Fund may from time to time effect transactions in securities issued by a portfolio entity that is otherwise a (i) client or (ii) investee company of any of the affiliate/associate/group companies of the Investment Manager or of the team of the Investment Manager. It may also effect transactions by the Fund in securities in which an affiliate/associate/group company may have a financial or other business interest at any time;
- (ii) *Other Fees:* The Investment Manager, as investment manager of the Fund, may affect transactions in securities and/or provide services to portfolio entities in respect of which any of the its affiliate/group company may benefit from a commission or fee;
- (iii) *Purchase from and sale of investments to interested parties:* The Investment Manager may purchase investments from, or sell investments to interested parties. In such cases, conflicts may arise in determining the price and terms of the sale or purchase as the case may be;
- (iv) *Board of Fund Investment:* As part of its investment methodology, the Investment Manager may require portfolio entities to grant to the Fund a seat on the boards of directors of such portfolio entities. The seat will be filled by a nominee of the Investment Manager. As a consequence, such persons will have fiduciary and other duties to the portfolio entity, which may conflict with the interests of the Fund;

**B. Mitigation and management of conflicts of interest**

The interested party(ies) shall exercise a standard of good faith in their dealings with the Fund and any of its portfolio entities. The Investment Manager will be transparent and make disclosures with respect to conflicts of interest that the Investment Manager determines may have arisen (or which seem likely to arise) between the interested parties and the Fund (or any of its portfolio entities).

Some of the measures the Investment Manager will adopt to manage identified conflicts are set out below. The Investment Manager will take reasonable care that, in relation to each identified conflict, it acts independently to avoid material risk to the investor interests.

- (i) In managing conflicts of interest, the Investment Manager will have regard to its obligations to the Fund and will act in the best interests of the investors in the Fund.
- (ii) The Investment Manager will make efforts to see that any transaction involving a potential conflict of interest will be effected on terms that are not less favourable to the investors in the Fund than if the potential conflict had not existed. The Investment Manager will place significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest.
- (iii) The Investment Manager will ensure that the interest of all the investors is paramount and all personal interests, relationships or arrangements, including those of its affiliated companies/entities do not work against the investors' interest.
- (iv) The Investment Manager will take appropriate measures intended to assure that it will not unfairly profit from any transaction between its affiliates/group companies/entities and the Fund and all such transactions shall strictly be done on an arm's length basis. The Investment Manager will use reasonable efforts to apportion or allocate business opportunities amongst persons or entities to or with which they have fiduciary duties and other relationships on a basis that is as fair and equitable as possible to each of such persons or entities, including the Fund.
- (v) The interested parties and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.
- (vi) In specific scenarios, as determined by the Investment Manager, certain investments may be explicitly prohibited by the Investment Manager.

The Code (including this conflict of interest policy), as stated in Paragraph 1 above, shall be disclosed to all current and prospective investors of the Fund and shall be disclosed on the Investment Manager's website.

### **3. Monitoring Portfolio Entities**

The monitoring of portfolio entities by the Investment Manager shall include analysing the operation and financial performance, strategy and business outlook, management and corporate governance, investor grievances, capital structure, key risk areas (including environmental, social and governance risks) of the portfolio entities and such other areas as provided under Paragraph 1 herein above. The Investment Manager shall also undertake an industry level monitoring with regards to the portfolio entities.

The level of scrutiny and monitoring will partly depend on the quantum of the Fund's investment. Portfolio entities in which the Fund has made a substantial investment, as may be determined by the Investment Manager, shall be subjected to more detailed and frequent monitoring. The level of engagement shall be substantially higher in scenarios where the Fund has specific long-term concerns about a portfolio entity's performance. Monitoring activities for portfolio entities where the Fund has made considerably smaller investments, will be more limited in nature.

While dealing with portfolio entities, the Investment Manager shall ensure that it shall not inadvertently receive any non-public price sensitive information. All employees/consultants/agents

of the Investment Manager involved in engagement activities with portfolio entities shall be appropriately instructed about the laws pertaining to insider trading.

#### **4. Intervention in Portfolio Entities and collaboration with other investors**

##### ***A. Intervention Policy***

The Investment Manager will engage with a portfolio entity on any issue affecting the long-term sustainable value of such portfolio entity. The issues which the Investment Manager deems pertinent for engagement with a portfolio entity may include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management, industry level issues, related party transactions, shareholder rights/ grievances, the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, climate change, leadership issues, litigations, environmental and social responsibility, etc.

In the likelihood that a portfolio entity does not respond affirmatively to the Investment Managers request for engagement, or the Investment Manager's concerns have not been sufficiently addressed, the Investment Manager may decide to extend its engagement activity and/or escalate specific areas of concern in order to effect the change that is being sought.

The Investment Manager shall regularly assess the outcomes of such intervention in the activities of the portfolio entities in order to gauge the effectiveness of the intervention policy.

##### ***B. Mechanism of Intervention***

The Investment Manager can employ any of the following methods of intervention:

- *Engagement*: The Investment Manager shall strive to initiate communication with the portfolio entities, organise meetings with the senior management of the portfolio entity, engage with identified teams of the portfolio entity etc. to put forth, mitigate any concerns pertaining to the portfolio entity.
- *Collaboration*: The Investment Manager shall work collectively with other institutional investors and support collaborative engagements by professional associations, regulators and other entities it deems necessary for a collective engagement with the portfolio entity.
- *Voting*: In certain situations where the management of the portfolio entity is inaccessible or cases where the Investment Manager believes that there is no substantive information being provided by the portfolio entity, monitoring can be undertaken through other sources including submitting resolutions and participating in general meetings, withholding support/voting against the management, requisitioning extraordinary general meetings etc.
- The Investment Manager may also constitute a separate committee to consider the most effective mechanism of intervention in certain cases.

#### **5. Voting Policy**

#### **A. *Voting Decisions:***

- (a) Voting decisions may include “abstaining from voting” or to “vote for” or “against” or divide votes between “for” and “against”, or not vote at all. The rationale for decision taken on “voting for /voting against/ abstaining from voting” shall be recorded by the Investment Manager.

#### **B. *Guidelines on Voting:***

- a) All voting decisions shall reflect that they are in the best interests of the investors.
- b) Proxy voting may be exercised on the following matters:
  - (i) Corporate governance matters, including changes in the state of incorporation, merger and acquisition and other corporate restructuring, and anti-takeover provisions.
  - (ii) Changes to capital structure, including increase and decrease of capital and preferred stock issuances.
  - (iii) Changes to governance policies of the portfolio entity.
  - (iv) Stock option plans and other management compensation issues.
  - (v) Social and corporate responsibility issues.
  - (vi) Appointment and removal of directors.
  - (vii) Any other issue that may affect the interest of the shareholders in general and interest of the unitholders in particular.
- c) The Investment Manager will prefer to vote either for or against any proposal and abstain only in cases where there are specific mitigating circumstances.

#### **C. *Mechanism:***

The Investment Manager may exercise voting responsibilities for the portfolio entities through e-voting, proxy voting or by physically attending the meetings or such other means, as applicable. The Investment Manager shall exercise its votes in the best of interest of the Fund and its investors.

The Key Investment Team will provide recommendations on the exercise of votes to the Investment Manager. The Key Investment Team will meet at periodic intervals as and when required.

The Investment Manager also may obtain recommendations/ feedback/ opinion/ views from fund managers, research analysts or such other persons as may be felt necessary. The Investment Manager may use services of proxy advisor(s) to support its proxy voting decisions. Scope of such service provider shall be limited to only assisting the Investment Manager with research and non-binding recommendation pertaining to the proposed resolutions of the portfolio entities. The Investment Manager shall have the final authority to decide the manner of exercise of votes.

#### **D. *Conflicts of Interest:***

In instances where there might exist a conflict of interest, the Investment Manager shall exercise voting responsibilities with due care and shall ensure that voting decisions are taken independently



and in the best interest of investors. The Investment Manager may also use its discretion to decide to exercise a voting right or abstain from it if it deems fit to do so in the interest of the investors.

***E. Disclosure of Voting:***

- (i) The Investment Manager will make the following disclosures to the investors on a half-yearly basis or at such intervals as may be prescribed by SEBI:
  - (a) Details of the manner in which voting was carried out: i.e. 'For', 'Against' or 'Abstain'.
  - (b) The rationale supporting the aforesaid voting decisions.
- (ii) The disclosures will be made on the website of the Investment Manager on a half-yearly basis or at such intervals as may be specified by SEBI. Further, the Investment Manager shall also make disclosures pertaining to voting in its annual report to the investors.

**6. Periodical reporting of stewardship activities**

The Investment Manager shall periodically report to its investors the manner in which the Fund has fulfilled its stewardship responsibilities in accordance with the Circular. The report shall be placed on the Investment Manager's website and any updation to this Code will be disclosed on the website.

A report shall be provided annually to the investors by the Investment Manager related to the implementation of each stewardship principle except for voting which will continue to be reported separately on a half-yearly basis. The report may also be sent as a part of annual reporting/intimation to the investors.

It is hereby noted by the Investment Manager that compliance with the Circular and the resultant Code does not constitute an invitation to manage the affairs of an entity or preclude a decision to sell a holding when it is in the best interest of the investors.

**Clarifications**

In case any further information /clarifications required in this regard, the following personnel may be contacted:

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