

STEWARDSHIP CODE

YSL ALTERNATES ALPHA PLUS FUND

CATEGORY III AIF

**INVESTMENT MANAGER - YES SECURITIES
(INDIA) LIMITED**

A. Title:

Policy on discharge of Stewardship Responsibilities ("Policy").

B. Applicability

The Policy is applicable to YES Securities (India) Limited ("the Company") as an investment manager to the Scheme YSL Alternates Alpha Plus Fund, Alternative Investment Fund (AIF), in relation to their investment in listed equities.

C. Objective:

The importance of institutional investors in capital markets across the world is increasing the world over; they 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. Such increased engagement is also seen as an important 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.

Securities and Exchange Board of India (SEBI) vide its circular CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 has issued Guidelines on Stewardship Code for all Mutual Funds and all categories of Alternative Investment Fund (AIFs), in relation to their investment in listed equities.

As per the aforesaid SEBI circular, institutional investor like Mutual Fund, AIFs, etc. should have a comprehensive policy on the discharge of their stewardship responsibilities. This Policy documents the guiding principles to be adopted and followed by the Equity Investment team ("Investment team") of the Company. The Policy is prepared on the basis of principles enumerated in the said SEBI circular. The Policy shall act as guidance to the Investment team for discharging the stewardship responsibility, however, this Policy is not intended to curtail / restrict the fund management activities of the Company. The Investment team shall always be at liberty to decide their dealing strategies, keeping in mind the investment objectives of the scheme, though the same may conflict with the principles specified in the Policy.

D. Responsibility

The roles and responsibilities are defined as below:

Investment team

The respective Investment team shall be responsible for ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and manner of this intervention. The Investment team shall also be responsible for identifying situations which may give rise to a conflict of interest. The Investment team of AIF may seek guidance from the Management Committee in matters pertaining to intervention in investee companies or conflict of interest (“respective Committees”).

Compliance Team

The Compliance Team shall be responsible for disclosures pertaining to stewardship activities including voting reports at a frequency stated under various SEBI circulars. The Compliance team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of investee companies in which conflict of interest, as defined below, has been identified.

E. Implementation / Process as laid down in the Regulation

The term ‘investee companies’ used in this Policy herein shall mean investee companies in which equity investments are above the threshold limit prescribed by IC.

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

The primary stewardship responsibilities of the Company shall be:

- i. To take into consideration, in the investment process, the investee companies’ policies and practices on corporate governance matters;
- ii. To seek productive engagement with the investee companies;
- iii. To exercise voting rights in the investee companies in a manner consistent with the best interests of its Investor, and;
- iv. To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

The Company shall fulfil its stewardship responsibilities in the following manner:

- i. The Company shall frame procedures on voting to deal with the exercise of the Company's voting rights in investee companies.
- ii. The Company shall appropriately engage and intervene on any issue/matter which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value. The matter may include 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.
- iii. The Company shall endeavor to work collectively with other institutional investors and support collaborative engagements organized by representative bodies and others.
- iv. The Policy will be reviewed and updated from time to time depending on the regulatory and business requirements. The updated Policy will be publicly disclosed on the Company's website.
- v. The Investment team and the respective Committees will be provided necessary training explaining the responsibility under the Policy along with amendments, if any. This may be done through external agency or internal team presentations. The respective Committees are empowered to decide or amend the frequency and modalities of training under this Policy.

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.

The Company should handle the matters carefully when the interests of clients or beneficiaries diverge from each other. The Company will ensure that the interest of the client/beneficiary is placed before the interest of the entity.

The Company has detailed out below the process of identifying and managing conflict of interest.

Avoiding conflict of interest:

The Company shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest situation, the respective Committees will be consulted and suitable steps to avoid such conflict of interest will be taken.

Identifying conflict of interest:

While dealing with investee companies, the Company may be faced with various conflict of interest situations. Given below are a few instances where conflict of interest may arise:

1. The investee company is an associate of the Company;
2. The investee company is also an institutional client of the Company;
3. The Company is a lender to the investee company;
4. The investee company is a partner or holds an interest, in the overall business or is a distributor for the Company;
5. A nominee of the Company has been appointed as a director or a key managerial person of the investee company; or
6. The Company and the investee company are part of same group;
7. A director or a key managerial person of the Company has a personal interest in the investee company

In order to manage/ avoid the above conflicts of interest, the Company will undertake the following steps:

1. A conflict of interest in relation to an investee company shall be highlighted to the management of the Company / respective Committees.
2. Rationale behind a new investment decision shall be recorded.
3. Client relations/ sales functions should not be involved in voting decision making function.
4. Employee should recuse from decision making in case of the they are having any actual/ potential conflict of interest in the transaction.
5. The Company should maintain records of decisions taken to address such conflicts.

Principle 3: *Institutional investors should monitor their investee companies*

The Company while monitoring of the investee companies will consider the following:

1. The Investment team will monitor following areas which shall, *inter-alia*, include:
 - a. Company strategy and performance - operational, financial, etc.
 - b. Industry-level monitoring and possible impact on the investee companies.
 - c. Quality of company management, board, leadership etc.
 - d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
 - e. Risks, including Environmental, Social and Governance (ESG) risks.
 - f. Shareholder rights, their grievances etc.
 - g. Succession planning.
2. The Investment team shall engage with investee companies as part of the research process that leads to an investment in an investee company, which might include meetings with management.

Once an investment is made, the Investment team shall continue to monitor each investee company. As a part of this process, the fund manager/ analysts shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Manager/ analysts may also use publicly available information, sell side research and industry information.

3. While dealing with the investee company, the Company shall ensure compliance its Code of Conduct for Prevention of Insider Trading.
4. The Company may nominate its representative on the Board of an investee company, wherever it deems necessary.
5. The Management/respective Committees shall review the monitoring and engagement activities being carried out by the Investment team on an annual basis.

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.*

The Company shall intervene if, in its opinion, any act/omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, related party transactions, etc.

The Investment team may consider intervening in matters below the thresholds as given in Principle 3, if in the reasonable opinion of the Investment team/Management of the Company/ respective Committees, the issue involved may adversely impact the overall corporate governance or the Company's investment.

In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless if in the reasonable opinion of the Investment team/Management of the Company/ respective Committees and there are other factors which warrants intervention.

The matrix that should be followed by the Company for intervention is as follows:

1. Communication: The Investment team shall communicate to the investee company's management about any concerns including steps to be taken to mitigate such concerns.
2. Engagement: In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Company within a reasonable timeframe, the Company shall take all reasonable steps to engage with the management of the investee company for constructive resolution of the Company's concerns.
3. Collaboration: The Company shall also consider collaboration with other institutional investors, professional/industry associations (eg. AMFI), regulators, and any other entities where it deems necessary and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. The Company may approach, or may be approached by, other institutional shareholders to provide a joint representation to the investee companies to address specific concerns. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert. The Company shall determine individually its position on any issue requiring

collaborative engagement

4. **Escalation:** In case there is no progress despite the first three steps, the Investment team shall escalate the matter to the Management/respective Committees. If the Management/respective Committees decide to escalate, the Company shall engage with the Board of Directors of the investee company (through a formal written communication) and elaborate on the concerns. The Company may also consider discussing the issues at the General Body meeting of the investee company. The Company may vote against decisions at appropriate forum.

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

To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the investee companies, it is critical that the institutional investors take their own voting decisions in the investee company after in-depth analysis rather than blindly supporting the management decisions. As an Investment Manager, it has a fiduciary responsibility of the Company to act in the best interest of the investor of the Scheme of AIF. This responsibility also includes exercising voting rights towards the securities in which the Schemes of AIF have invested (“Investee Company”), either at the general meetings of the Investee Company(s) or through postal ballots, in the best interest of the investor.

The Company will manage voting rights with the same level of care and skill as it manages the funds. In general, the Company does not have the intention to participate directly or indirectly in the management of the companies but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its investor.

Matters generally coming up for voting:

Following are some of the general matters that come up for voting either at the general meetings of the Investee Company(s) or through postal ballots:

- Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions;
- Changes to capital structure, including increases and decreases of capital and preferred stock issuances;
- Appointment, remuneration, retirement and removal of Directors;

- Stock option plans and other management compensation issues;
- Changes to the Memorandum and Article of Association of the Company;
- Social and corporate responsibility issues;
- Appointment and remuneration of Statutory Auditors;
- Transactions with Related Party(ies);
- Other Corporate governance matters; and
- Other issues affecting the interest of the shareholders and investor of fund in particular.

Philosophy of Voting Policy:

Voting Right means, the right of a Shareholder to vote on matters of corporate policy and other resolutions. The exercise of voting rights will require regular monitoring of financial performance, corporate governance matters, industry performance and subsequent consideration of the potential impact of a vote on the value of the securities of the issuer held by the schemes of AIF. In order to discharge its obligations under this policy, the Company will access and utilize research on management performance and corporate governance issues of the Investee Company(ies), drawn either from its in-house Fund Management team or from an independent consultants/firms amongst others.

The Schemes are entitled to exercise the voting rights attached to the shares of the Investee Company(ies). The shareholders do not necessarily need to be physically present at the site of the Investee company's annual general meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as NSDL, CSDL, etc. or by appointing a Proxy.

In connection herewith, the Company will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments made by the schemes. This may imply that the Company may decide to refrain from exercising its voting rights if considered appropriate.

The Company is an affiliate of a large, diverse financial services organization with many associate companies, which may lead to situation creating conflicts of interest. Conflicts of interest may arise in certain situations, where:

- The Investee Company is a client of its affiliates;
- In certain cases, wherein any affiliates of the Company are lender to the Investee Company;

- The Investee Company is a seller whose products or services are important to the business of Company and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Company and/or any of its affiliates.

However, the Company will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of unit holders of the schemes.

In cases where investments are in group companies of the Company or where the Investee Companies have substantial investments in the Schemes of AIF, the Company shall specifically review all voting proposals, routine as well as non-routine and take decisions with respect to voting on such proposals in the best interest of the unit holders. The Company may also decide to abstain from such voting, if it deems fit to do so in the best interest of the unit holders or if there is a conflict of interest.

Manner of disclosure:

Alternative Investment Fund (AIF)

- a. Disclosed in the Annual Report of the Schemes
- b. Quarterly disclosure on the Company's website

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

The Company will report to their investors/ beneficiaries periodically on how it has fulfilled its stewardship responsibilities in an easy-to-understand format.

The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the Company to sell a holding when it is in the best interest of the investors/beneficiaries.

Company shall report periodically to their investors on their stewardship activities and also update the same on its website.
