

➤ **STEWARDSHIP POLICY**

<b>Sr. No.</b>	<b>Version</b>	<b>Date of Policy</b>
1	1.1	February 24, 2020
2	1.2	October 22, 2021
3	1.3	April 01, 2023

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## **I. INTRODUCTION**

At DSP Investment Managers Private Limited (the Company), we view stewardship as both a responsibility and a privilege. The Unit holders / Investors of DSP Mutual Fund (DSP MF) and DSP Alternative Investment Funds (DSP AIFs) have entrusted us with their assets, and we are dedicated to putting their interests first. This means careful consideration of all relevant financial, environmental, social and governance (ESG) implications throughout the investment process, with the aim of achieving long-term sustainable returns. It also means careful monitoring of investments and constructive engagement to advance investors / unit holder's long-term best interests.

The policy on discharge of stewardship responsibilities ("Policy") sets out the framework and guidelines on discharge of the stewardship responsibilities of the Company in accordance with Guidelines on Stewardship Code issued by SEBI vide its Circular No. CIR / CFD / CMD1/168/2019 dated December 24, 2019.

This Policy will be effective from July 1, 2020. Any changes in the Policy will be approved by the Board of Directors of the Company and DSP Trustee Private Limited and will be effective only post the approval of such changes.

## **II. MEANING AND TERMS**

**Stewardship Committee** – means the Committee responsible for effective oversight of the Company's stewardship activities as constituted by the Board of Directors of Company and DSP Trustee Private Limited.

**Investment Team** – shall include Equity Fund Managers / Analysts of schemes of DSP MF (including active and passive equity team) and DSP AIFs.

**Proxy Voting Policy** – means the proxy voting policy of DSP Mutual Fund as approved by the Board of Directors of Company and DSP Trustee Private Limited.

**Conflict of Interest Policy** - means the conflict of interest policy as approved by the Board of Directors of Company and DSP Trustee Private Limited

**Investee Company** – shall include companies in which equity investments are made by schemes of DSP MF & DSP AIFs.

### **III. ROLES AND RESPONSIBILITIES**

The roles and responsibilities are defined as below:

**Stewardship Committee (SC):** The SC will comprise of President, COO, Head of L&C, Head of Passive Investments, Head of RQA and Head of Equity Investments. The SC will have an effective oversight of the Company's Stewardship activities and shall recommend changes to the Stewardship Policy to the Board of the Company and Trustee. The Scope of the SC will be as follows:

- To approve investments in associates / group / vendor companies.
- To handle matters with conflicting situations.
- To monitor compliance with SEBI's guidelines on stewardship code.

**Investment Team:** The Investment team of DSP MF (including active and passive equity team) and DSP AIFs will be responsible for the overall implementation and execution of this Policy. The 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 team may seek guidance from the SC in matters pertaining to intervention in investee companies or conflict of interest. The Investment Team shall also ensure that due records in line with the Stewardship Policy are maintained.

### **IV. STEWARDSHIP PRINCIPLES**

The Company as an Investment Manager of DSP MF and DSP AIFs shoulder greater responsibility towards its investors / unit holders. Therefore, in an endeavor to safeguard the interests by enhancing monitoring and engagement with investee companies, the Investment Team shall work towards fulfilling the objectives of the below listed principles.

#### **Principle 1 - Discharge of stewardship responsibilities**

- 1) Stewardship activities include monitoring and actively engaging with investee companies on matters such as performance (operational, financial etc.) strategy, corporate governance (including board structure, remuneration, etc.) material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.
- 2) The SC may set a threshold level beyond which the exposure in the investee company will be deemed to be 'meaningful'. The threshold level will help in determining the level of engagement and intervention with the investee company. The SC can amend/change the threshold level over a period of time.

- 3) The Company's stewardship activities include monitoring and engaging with investee companies on shareholders' resolutions, with a view to enhance value creation for the investors and the investee companies.
- 4) The Company shall look to engage with its investee companies on a regular basis, where the holding is more than the threshold level as defined by the SC.
- 5) The Company may use the services of external service providers such as institutional advisors. The scope of such services will purely be on advisory basis. However the ultimate responsibility of discharging stewardship responsibilities will remain with the Company

## **Principle 2 – Managing conflict of Interest**

The Company is an affiliate of a large, diverse financial services firm with many affiliates. This may at times give rise to situations of apparent conflict. The Company has detailed out below process of identifying and managing conflict of interest.

Avoiding conflict of interest: The Investment Team shall undertake reasonable steps to avoid actual or potential conflict of interest situations in line with the Conflict of Interest Policy of the Company. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, the SC may be consulted.

Identifying conflict of interest: While dealing with investee companies, the Company may be faced with a conflict of interest. Given below are a few instances including but not limited to where conflict of interest may arise:

- a. The Investee Company is an investor / unit holders of DSP AIFs / DSP MF.
- b. The Investee Company is the group / associate / vendor of the Company.
- c. Employees of the Company involved in decision making responsibilities may have personal interests in the Investee Company that conflict with their responsibility to act in the best interests of the investors. Personal interests include direct interests as well as those of family, friends, or other organizations a person may be involved with. A conflict of interest may be actual, potential or perceived and may be financial or nonfinancial.

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

- a. Rationale behind an investment decision shall be recorded.
- b. The voting in the group / associate / vendor company will be exercise as advised by the Proxy advisor.
- c. A conflict of interest in relation to an investee company shall be reported to SC and get recorded.

**Principle 3 – Monitoring of the Investee Company**

- a) Investment team will be responsible for monitoring companies in which the DSP MF and DSP AIFs have invested based on the thresholds / levels decided by the SC.
- b) Monitoring will include but need not be restricted to strategy and performance – operational, financial etc. Industry – level monitoring and possible impact on the investee companies, Quality of company management board leadership etc., corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc. , risks including Environmental, Social, Governance (ESG) risks, Shareholder rights, their grievances etc. . Monitoring in areas like succession planning, remuneration, environmental issues will be on a best effort basis.
- c) The monitoring will be based on publicly available information, management meetings, and sell side research and industry information. While endeavor would be to ensure at least one meeting with an Investee Company in a year, there can be investee companies where the management is not accessible or not accessible at appropriate levels or cases where the 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.
- d) The Company shall inform the investee companies to not share any unpublished price sensitive information which would make the Company ‘insider’, without a specific prior agreement.

**Principle 4 – Intervention in the Investee Company**

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, environment and social matters.

The Company may intervene on a case-by-case basis if it feels that its intervention is required to protect value of its investment and for discharging its stewardship responsibility. Decision for intervention will be decided by the SC based on the following broad parameters –

- a) The investment in the investee company should be above the threshold level defined by the SC. However, the SC can decide to intervene in investee companies where the investment is below threshold level, depending on the seriousness of the issue.
- b) Intervention in investee companies having governance related issues, ESG risks and fraud issues needs to be done irrespective of the size of investment.

The company will implement following set of broad steps for intervention, however depending on seriousness of the issue some of these can be expedited to timely protect the interest of unitholders / investors of DSP MF / DSP AIFs.

#### Step 1: Interaction

In such instances, the Company will seek to engage with the investee company's management to discuss the concerns and apprehensions and actions to mitigate the concerns. The interactions must be held with the company personnel authorized and empowered to act on the areas of concerns.

#### Step 2: Reiteration

If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, the Company 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 with SC for further escalation to the Board of Directors of the investee company. If the SC decides to escalate, the communication to the Board of the investee company should elaborate on the concerns, the past requests for engagement with the management of the company, the past discussions and the agreed course of actions.

#### Step 4: Reporting to Regulators/Authorities

Only in exceptional cases, where the concerns relate to matters of public interest or public laws, if there is no response or no action taken by an investee company despite the escalations as mentioned earlier, the SC basis recommendation of investment team may decide to report to the relevant regulator, authority or any Government body as may be required.

In case the Company's intervention is not successful (either fully or partially), it will not automatically result in the Company being required to exit its investment in the Investee Company. The investment team will take a decision based on then existing environment and expectations.

**Principle 5 – Voting and disclosure of voting activity**

The Investment team may decide to vote (for or against) from voting on proposals of the investee companies taking into account the possible implications of the voting and decisions shall be taken in the best interest of investors / unitholders. The voting and disclosure of voting activity will be in line with the Voting policy of the Company.

**Principle 6 – Reporting of Stewardship activities**

On annual basis, the Company will disclose all the activities undertaken by the investment team, as mandated by the Policy, in regard to implementing the Stewardship Policy and discharging its responsibilities, on its website, as part of public disclosures. The Company will also send the report to investors / unitholders on annual basis.

**V. POLICY REVIEW**

The policy shall be reviewed at least annually. However, the policy shall be reviewed earlier under extra ordinary situations such as significant changes in macro-economics, government policies etc.