

Spark Fund Advisors LLP
Stewardship Code

Version: 1.0

Date of Board Approval:

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Owner: Spark Capital Group Compliance

Approver – Board of Directors

¹Spark Group presently includes, Spark Capital Advisors (India) Private Limited, and its subsidiaries and affiliates – Spark PWM Private Limited (formerly known as Spark Family Office and Investment Advisors (India) Private Limited), Spark Asia Impact Managers Private Limited (formerly known as Spark Fund Managers Private Limited), Spark Asia Impact Private Limited (formerly known as Spark Alternative Asset Advisors India Private Limited) and Spark Fund Advisors LLP or any other entity which may be incorporated under the same management and control over the course of the year (“**Spark Capital Group/Spark Capital Group Entity**”)

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Content Management

Document Control	
Title	Stewardship Code
Policy Owner	Compliance Team
Policy Adherence by	
Effective date	
Last date of update	
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Version	Updates	Effective Date	Next Review Date
1			

This policy document will be reviewed and revised by the Compliance Team and Investment team in response to changed circumstances, and in any event, at periodic intervals at least once a year or shorter review periods as may be stipulated by the Compliance Team. Regulatory developments shall deem to automatically form part of this policy document.

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Introduction

Spark Fund Advisors (“SFA”) is the Investment Manager (the “Manager”) of Spark Midas Investment Trust (the “Fund”), a Category II AIF (SEBI registration no: IN/AIF2/23-24/1470). The Fund shall launch various schemes under it from time to time.

Spark Midas Investment Fund – I will be the first scheme to be launched under the Trust.

Objective

SEBI vide its circular ref.: CIR/CFD/CMD1/168/2019 dated 24th December 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. The Guidelines requires AIFs to adopt a Code based on the principles enshrined therein.

The importance of institutional investors in capital markets is increasing across the world and 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 which are intended to protect their clients’ wealth.

The purpose of this Stewardship Code is to improve quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns to clients and safeguard their interests.

This Code has been approved by the Board of SFA (“Board”). The Manager and members of its Investment Team (the “Team”) will be guided by the principles of the Stewardship Code and the policies of this Code in discharging their roles.

Purpose

The Code enumerates the processes that the Investment Manager intends to follow in order to safeguard the interests of the investors of the fund while managing the investments in listed equities under various schemes of AIF. The purpose of the Code is to enhance the quality of engagement between institutional investors and the investee companies as a step towards improved Corporate Governance Practices with a view to enhance long term returns to investors and the governance responsibilities.

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 Investment Manager manages various asset classes and has various investment capabilities. As sustainability is an important part of the investment philosophy of the Investment Manager, the following primary stewardship responsibilities taken into account throughout these capabilities and asset classes.

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- ✚ take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions;
- ✚ take into consideration, in the investment process, investee companies' policies and practices on environmental, social and governance matters;
- ✚ enhance investor value through productive engagement with investee companies;
- ✚ vote and engage with investee companies in a manner consistent with the best interests of its investors;
- ✚ be accountable to investors within the parameters of professional confidentiality and regulatory regime; and
- ✚ maintain transparency in reporting its voting decisions and other forms of engagement with investee companies

Discharging Stewardship Responsibilities:

The Investment Manager shall discharge its stewardship responsibilities through:

- ✚ voting on shareholders' resolutions, with a view to enhance value creation for the investors and the investee companies;
- ✚ advocating for responsible corporate governance practices, as a driver of value creation; and
- ✚ Intervening on environmental, social and governance opportunities or risks in the investee companies.

Responsibility for oversight of the stewardship activities:

- ✚ The Designated Partners of the Investment Manager shall ensure that there is an effective oversight of the Investment Manager's stewardship activities.
- ✚ the Investment Manager, if required may avail the services of external agencies (institutional advisors) in discharging its Stewardship responsibilities. The said cost may be apportioned to the fund.
- ✚ Notwithstanding the above, the ultimate stewardship responsibilities shall be discharged by the Investment Manager.

Disclosure of Code

This Code and any amendment thereto, shall be disclosed on the website of the Investment Manager.

Training

The Investment Manager may provide training at regular intervals to the employees involved in implementation of the principles laid in the Code.

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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 term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. The Investment Manager shall abide by high level principles on avoidance of conflicts of interest while managing investments of the Fund. The detailed process of identifying and managing conflict of interest is as follows:

Identifying conflict of interest: While dealing with investee companies, the Investment Manager may be faced with a conflict of interest, inter alia, in the following non-exhaustive instances, where:

- ✚ The investee company is a client of the Investment Manager for its other business activity;
- ✚ Investee company is directly or indirectly linked to another investee company of Fund;
- ✚ The investee company holds an interest, in the overall business or is a distributor for the Investment Manager;
- ✚ The Investment Manager is a supplier of the investee company;
- ✚ A nominee of the Investment Manager has been appointed as a director or a key managerial person of the investee company;
- ✚ A partner or a key managerial person of the Investment Manager has a personal interest in the investee company;
- ✚ The more of assets in the AIF Fund, the more money Investment Manager will earn,

Manner of managing conflict of interest:

- ✚ Implementation of a fair investment policy and appropriate disclosures made to the investors of the AIF fund if any.
- ✚ The transaction is in compliance with the applicable regulations and is at arm’s length.
- ✚ The conflict is disclosed to the management before entering into transaction
- ✚ The voting decision is in the best interest of the stakeholders keeping the interest of fund holders first.
- ✚ Documentation of the process of resolving any identified material conflict of interest.

Principle 3: Institutional investors should monitor their investee companies

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-  The Investment team shall be responsible for the monitoring of the investee companies' performance. The investment team may consider the investee companies' leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important while making investment decisions.
-  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 and shall engage with the investee companies at least once a year, through any means detailed above.
-  While dealing with the investee company, the Investment Manager shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
-  The Audit and Risk Committee of the Investment Manager 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 Investment Manager's engagement is integral to its investment processes as it firmly believes that this is an important way to preserve value for Fund investors.

Applicability

- The Investment Manager shall intervene in the acts/omissions of an investee company, in which the fund has:
 - invested Rs. [100 crore] or
 - holds at least [5] % of the share capital of the investee company
- The Investment Manager 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 insufficient disclosures, inequitable treatment of shareholders, non compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/strategy, poor financial performance of the investee company, Environmental Social and Governance risk, litigation or any other related matters

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-  **Intervention by the Investment Manager:** The decision for intervention shall be decided based on the following broad parameters:
 - The Investment Manager shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment.
 - The Investment Manager may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Manager, the issue involved may adversely impact the overall corporate governance atmosphere or the Fund's investment.

The mechanisms for intervention are:

The Investment Manager engages with investee companies through both formal and informal channels including private meetings and attendance at company meetings as well as telephone and electronic methods.

-  **Communication:** If concerns regarding an investee company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis and where possible as part of the fund manager's ongoing discussion.
-  **Engagement:** In the event the above fails to undertake constructive steps to resolve the concerns raised by fund manager within a reasonable timeframe, the Investment Manager shall take all reasonable steps to engage with the management of the investee company to resolve such concerns.
-  **Re-engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Investment Manager within a reasonable timeframe, the Investment Manager shall take all reasonable steps to re-engage with the management to resolve its concerns.
-  **Escalation** Where the Investment Manager's concerns have not been managed through the usual channels of communication, then the Fund Manager may seek to escalate the concerns. The Investment Manager shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. The Investment Manager may also consider discussing the issues at the general meeting of the investee company.
-  **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the first four steps, the Investment Manager may approach the relevant authorities.

In case the Investment Manager's intervention is not successful (either fully or partially), it will not automatically result in the requirement to exit the Fund's investment in the investee company. The decision to purchase more equity or sell all or part of the Fund's investment in the investee company shall be made by the Partners, which may consider the outcome of the intervention as an input in its decision-making process.

Collaboration: The Investment Manager shall consider collective engagement with other institutional

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investors, professional associations, regulators, advisors and any other entities where it deems necessary on a general basis 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 Investment Manager may approach, or may be approached by, other Investment Manager/Asset Managers/Insurers/Mutual Funds etc. to provide a joint representation to the investee companies to address specific concerns. The Investment Manager shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other investors.

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

-  The Investment Manager shall exercise their voting rights and vote on shareholder resolutions of investee companies in accordance with the voting policy.
-  The Investment Manager shall disclose all voting activity to its investors on an annual basis. The Investment Manager shall also disclose if it has relied (either partly or fully) on the voting recommendations provided by any proxy advisory firm.
-  Attendance at General Meetings: The Investment Manager shall strive to attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings if required.
-  Mechanism: The Investment Manager may vote whether by means of e-voting, physically attending meeting, voting through proxy or otherwise.

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

The Investment Manager shall provide a report of the discharge of its Stewardship Responsibilities annually as a part of the public disclosures on its website and/or through email to its investors, for the benefit of its ultimate beneficiaries (investors).