

## STEWARDSHIP CODE

Name	STEWARDSHIP CODE
Date	
Version	1

### **Background & Purpose:**

Securities and Exchange Board of India (SEBI) vide its Master Circular No. SEBI/HO/AFD-1/AFD-1PoD/P/CIR/2024/39 dated May 07, 2024 prescribed stewardship principles to be adopted and implemented by all categories of Alternative Investment Funds (AIF), in relation to their investment in listed equity.

Spark Fund Advisors LLP (“**SFALLP**”) is an Investment Manager to Spark MIDAS Investment Trust (A Category II – Alternative Investment Fund).

SFALLP invests in listed equities in accordance with the investment objective of the respective schemes launched under Spark Investment Trust in line with Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“the **Regulations**”).

The Stewardship Code (“**Code**”) is formulated to broadly lay down the principles and guidelines in respect of monitoring and engaging with the investee companies on various matters including performance, strategy, corporate governance, material environmental, social and governance (ESG) opportunities and risk, capital structure and exercising voting rights on shareholder resolutions of Investee companies. SFALLP shall on an ongoing basis train its personnel involved on implementation of the principles contained herein.

The Code is approved by the Board of Directors of SFALLP.

The Code shall be reviewed once a year and shall at all times be in compliance with the applicable law. In other words, in case of conflict between applicable regulations and Code, the applicable regulations shall prevail at all times and the Code shall be amended to give effect to the provisions of the law. This Code supersedes all previously approved versions

### **Guiding Principle(s) of the Code:**

The Code acts a guiding principle to carry out stewardship activities, including the following Principles:

- a. a comprehensive policy and guiding principles to fulfill the stewardship responsibilities;
- b. managing conflict of interest to ensure investor(s) interest is placed first;
- c. timely monitoring of listed portfolio companies in which equity investments have been made;
- d. identification of circumstances and the manner of intervention for regular assessment of portfolio companies;
- e. participation in voting and disclosure of voting activities;
- f. periodical reporting of stewardship activities.

### **Implementation of Stewardship Code**

The Fund Manager(s) of concerning Scheme(s) will engage in implementation of the Code.

As and when required, the Fund Manager shall review the portfolio companies, especially those comprising 2% (or more) of the overall net equity AUM of AIFs managed by SFALLP.

Towards fulfilment of stewardship activities, Investment Manager shall abide by this Code and shall be follow the below mentioned principles:

**1. Policy and guiding principles to fulfil the stewardship responsibilities:**

- i. Take into consideration, the corporate governance practices of investee companies;
- ii. Enhance investor value through productive engagement with investee companies;
- iii. Vote and engage with investee companies on matters including environmental, social and governance principles.

**2. Managing conflict of interest to ensure investor(s) interest is placed first:**

While carrying out portfolio investments SFALLP may be faced with a conflict of interest including but not limited to the below:

- i. investment in associates;
- ii. investment in companies where an employee has substantial interest;
- iii. proprietary investments carried out by SFALLP in the same investment company.

SFALLP shall make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of clients.

To ensure that there is no conflict of interest:

- i. Investment team shall co-ordinate with compliance department for reviewing the potential conflict while making investment decision.
- ii. Investment decisions pertaining to the schemes of Spark MIDAS Investment Trust shall be in accordance with the investment objectives of the relevant schemes.
- iii. Investment of schemes' assets in associates shall be at arm's length, with proper rationale, within necessary regulatory limits and subject to approvals as may be required under the Regulations.
- iv. The voting decision are guided by approved voting policy. In case the situation wherein the conflict of interest is not covered by the voting policy, decision on such instances will be taken on case-to-case basis
- v. There shall be a clear segregation of voting function and other relations.
- vi. Investment team shall be responsible for voting on resolutions and will be guided by the voting policy for all resolutions.

**3. Continuous monitoring of listed Investee companies:**

Investment Manager may determine the level of monitoring depending upon need, the quantum of investment, sector to which the company belong(s) and certain special situations which require greater monitoring including voting. The Investment team / Investment Manager shall have the threshold level as defined by the investment team for the investee company, beyond which the exposure to the investee company will be deemed to be 'material'.

In all cases of engagement with the management and / or the board of directors of the investee company, all communications and discussions will be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the investors of SFALLP

While dealing with the investee company, SFALLP shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

#### **4. Identification of circumstances and the manner of intervention for regular assessment of portfolio companies:**

The SFALLP shall intervene in the acts/omissions of an investee company as it deems fit and such instances shall inter alia, include poor financial performance of the investee company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

SFALLP 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, or any other related matters. Investment Manager may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Committee or Investment Advisory Committee (or such other committee formed for this purpose), the issue involved may adversely impact the overall corporate governance or the SFALLP's investment.

The Investment Manager may adopt a mechanism for intervention as it deems fit and may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc.

The broad principles of the escalation matrix are as laid down below, however based on the instance, SFALLP shall undertake appropriate actions and adopt mechanisms for intervention:

- i. Communication:** The Investment Manager shall communicate to the investee company's management about any concerns including steps to be taken to mitigate such concerns. If the matter comes to voting, SFALLP shall exercise its voting rights.
- ii. Interaction:** In case of instances identified for intervention, SFALLP shall as an active shareholder will endeavor to engage with the company's management to discuss the concerns, apprehensions, and actions to mitigate these concerns.
- iii. Reiteration:** If there is no response from the management on the concerns raised or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, SFALLP 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 realign the business practices or actions should be discussed and agreed upon.
- iv. Collaboration:** SFALLP shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.
- v. Escalation:** In case there is no progress despite the steps taken, it shall be escalated to the Investment Committee or Investment Advisory Committee (or such other committee formed for this purpose). If the Investment Committee or Investment Advisory Committee (or such other committee formed for this purpose) decides to escalate, 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.

- vi. **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the above-mentioned steps, SFALLP may approach the relevant authorities or can consider recourse to other legal actions.

#### **5. Participation in voting and disclosure of voting activities:**

Specific decision on a particular resolution i.e. to support, oppose or abstain from voting, shall be taken on a case-to case basis considering potential impact of the vote on shareholder value and interests of the contributors of the Fund at large. Investment Manager may also at its discretion choose to abstain from participating in any resolution and hold a neutral stance, should the concerning issue be of no major relevance for the shareholder value and/or contributors interest. The decision regarding voting on the resolution, i.e. whether Investment Manager will vote for or against the resolution proposed by the investee company, will be taken by the investment team on voting.

SFALLP shall maintain a record of its voting on investee company resolutions along with rationale.

The Investment Manager may vote whether by means of e-voting, physically attending meeting, voting through proxy or otherwise.

The Investment Manager shall as it deems fit, strive and attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings), and to the extent required, actively speak and respond to the matters being discussed at such meetings if required.

#### **6. Periodical reporting of stewardship activities:**

SFALLP shall report periodically to its investors on their stewardship activities and also provide an update on its website at <https://www.sparkassetmanagement.in/who-we-are/regulatory-information>.