

## TCG ADVISORY SERVICES PRIVATE LIMITED

### STEWARDSHIP POLICY

<b>Name of the policy</b>	Stewardship Policy
<b>Version</b>	V1
<b>Created on</b>	July 01, 2020
<b>Approved on</b> <i>(also mention if approved in any meeting)</i>	27 <sup>th</sup> May 2020
<b>Approved by</b> <b>(Name and Designation)</b>	Mr Chakravarthi Lokapriya – Managing Director & Chief Investment Officer
<b>Effective Date</b>	July 01, 2020
<b>Functional Domain</b>	Investment Management
<b>Person in Charge</b> <i>(Name and Designation)</i>	Chakravarthi Lokapriya Managing Director & Chief Investment Officer
<b>Period of Review</b>	Annually <i>(also if any need arises during the year)</i>
<b>Next Review date</b>	June 30, 2021

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<b>Date of Review</b>	10 <sup>th</sup> August 2021
<b>Approved on</b> <i>(also mention if approved in any meeting)</i>	10 <sup>th</sup> August 2021 Approved by Trustee on 10 <sup>th</sup> August 2021
<b>Approved by</b> <b>(Name and Designation)</b>	Vaspar Patel – Compliance Manager
<b>Effective Date</b>	July 01, 2020
<b>Functional Domain</b>	Investment Management
<b>Person in Charge</b> <b>(Name and Designation)</b>	Mr Chakravarthi Lokapriya – Managing Director
<b>Highlights of the modification carried out</b>	None

## **Background**

TCG Advisory Services Private Limited ('TCG Advisory' or 'Investment Manager') acts as the Investment Manager to TCG Alternative Investment Fund (the 'Fund' or 'AIF') which has been established as a contributory determinate trust, settled under the Trust Act vide the Trust Deed, registered under the Registration Act. The Fund has been registered as a Category III AIF with SEBI vide registration number IN/AIF3/17-18/0324. Fund invests in listed equities in accordance with the investment objective of the scheme and SEBI (Alternative Investment Funds) Regulations, 2012.

TCG Advisory is responsible, in its fiduciary capacity, to act in the best interests of its unit holders which, inter alia, include monitoring and engaging with the investee companies on behalf of the AIF. TCG Advisory believes that good corporate governance by portfolio companies driven by sound governance policies is in the best interests of our clients and will help to maximize the value of their investments.

Securities Exchange Board of India (SEBI) vide circular no. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 has made it mandatory for all categories of Mutual Funds (MF) and Alternative Investment Funds (AIF) to follow the Stewardship Code in relation to their investment in listed equities.

The Objective of the Fund is to generate absolute returns by investing predominantly in equity shares of companies across all sectors at three stages viz. unlisted, Initial Public Offering (IPO) and securities traded on a stock exchange or by way of Qualified Institutional Placement ("QIP") and other forms of placement of securities. Depending on securities valuation the Fund will seek to add to or divest positions depending on the valuation and price movements of unlisted and listed securities in secondary market transactions and other parameters that the Investment Manager considers relevant.

The purpose of this policy is to describe the approach taken by TCG Advisory to stewardship based on the principles specified by SEBI in its aforesaid circular. The purpose of the Stewardship Code is to enhance the monitoring of investment in listed securities, Derivatives and engagement with, the investee companies to improve the Corporate Governance practices with a view to protect and enhance the long-term wealth of unitholders/investors.

This Policy, effective from 1<sup>st</sup> July 2020, has been approved by the Boards of Directors of TCG Advisory in their meeting held on 27<sup>th</sup> May 2020. Any material changes in the policy will also be approved by the Board of Directors of TCG Advisory and will be effective only post the approval of the changes.

## **Objective:**

The Stewardship Code is formulated based on the following stewardship principles laid down by SEBI-

Principle 1 - Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.

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.

Principle 3 - Institutional Investors should monitor their investee companies.

Principle 4 - Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.

Principle 5 - Institutional Investors should have a clear policy on voting and disclosure of voting activity.

Principle 6 - Institutional Investors should report periodically on their stewardship activities.

### **Compliance with the Stewardship Code:**

#### **Principle 1 – Stewardship Responsibilities**

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

Stewardship activities on behalf of the Fund shall be undertaken by the Investment Team of TCG Advisory, which shall be responsible to ensure implementation of the Stewardship Code duly approved by the Board. Investment Team will seek guidance from Investment Committee with respect to fulfilling the Stewardship Responsibilities. The Investment Committee shall be responsible for monitoring implementation of the Stewardship Code.

TCG Advisory as part of its investment portfolio invests in listed equities/securities of various investee companies to enhance the portfolio returns and diversify its investments. This policy aims to define the minimum levels of engagement required to be maintained with the investee companies. The engagement will be inclusive of and not restricted to:

- Review of periodical performance of the Investee Companies;
- Corporate Governance matters, merger/acquisition, other corporate restructuring;
- Changes in capital structure, including increases and decreases of capital, preferred stock issuances, buy-back, dividend etc.;
- Stock Option Plans and Other Managerial Compensation issues;
- Appointment and Removal of Directors, Statutory Auditors etc.;
- Any other issue that may affect the interest of Shareholders.

The Company's investment objectives are to seek a high return on investment opportunities, and to preserve capital and limit downside risk while achieving a reasonable rate of return by focusing on opportunities with attractive risk to reward profiles. TCG Advisory aims to adopt a flexible

approach to investment targets without placing unnecessary limits on potential returns on its investment. This approach is demonstrated in the Company's investment process set out below.

**Investment Sector:**

As per the objective defined under the Private Placement Memorandum of the existing and future Schemes under the Fund.

**Investment Types:**

Listed securities and derivatives

**Jurisdiction:**

The Fund will make investments into companies that are listed on India Stock Exchanges and are permissible depending on the risk assessment done by the Investment Team, Investment Committee and the Board.

**Investment Size:**

Within the limits prescribed under SEBI (Alternative Investment Fund) Regulations, 2012. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

**Investment Review:**

The Investment team of the Fund will actively review and revisit all of investments on an ongoing basis by attending calls/ conference conducted by the Investee companies / Brokers , studying research reports published by Research Analyst & different brokers, Independent research and forecast about the company performance on quarterly basis.

**Liquidity:**

As a process the Investment Team will recommend liquidation proposal to the Investment Committee to evaluate the liquidity of investments and seek to realize value from same in a prudent and orderly fashion.

**TCG Advisory shall:**

- a) in the investment process, in addition to financial and operational performance metrics, take into consideration the investee companies' policies and practices on environmental, social and corporate governance matters;
- b) be cautious in conducting stress test at investment level i.e. the impact of valuation of adverse changes in parameters, risk model validation, back test the assumption of the model and assumption of back tests.
- c) Limit investment to 25% or less of investible funds in any one investee company thereby diversifying project / company concentration risk.
- d) enhance shareholder/investor value through productive engagement with investee companies on various matters including performance (operational, financial, etc.), corporate governance (board structure, executive remuneration), material environmental, social and governance

(“ESG”) risk or opportunities, capital requirements and deployment, strategy, entering a new sector or jurisdiction, etc.;

- e) vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;
- f) influence the development of corporate governance standards and corporate responsibility;
- g) be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime; and
- h) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.
- i) disclose its stewardship policy and activities to its shareholders/investors on a periodic basis

Stewardship responsibilities shall be discharged through:

- a) using resources, rights and influence available at their disposal;
- b) Attending investor calls and general meetings
- c) endeavoring to have detailed discussions with the management and interactions with the investee company managements and boards;
- d) voting on board or shareholders’ resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- e) advocating for responsible corporate governance practices, as a driver of value creation; and
- f) Intervening on material ESG opportunities or risks in the AIF’s investee companies.

This policy on Stewardship responsibilities will be uploaded on the website of TCG Advisory and will be reviewed on annual basis.

TCG Advisory may use the services of institutional advisors to assist. The services of external agency may or may not be availed but the responsibility for steward activities shall lie with TCG Advisory only.

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

TCG Advisory maintains and operates effective organizational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest.

Conflict of interest may arise in relation to the various activities carried out by contributors/unitholders, the Trustee, the Investment Manager or its Directors/KMPs. (collectively, the ‘**Interested Parties**’).vis-a-vis the activities of the AIF. TCG Advisory has adopted policies and procedures intended to protect the interest of the Investors in the AIF against any adverse consequences arising from potential conflicts of interest. TCG Advisory will continue to review all Stewardship Responsibilities and perform its duties in a responsible manner keeping in mind the best interests of unit holders, in line with the regulatory requirement.

Specific cases may be referred to the Investment committee, which will help in resolving any such conflicts in the best interest of unitholders.

All Investment Committee members and Investment team members involved in Managing the investment portfolio/ involved in implementing the stewardship code will strive to avoid conflict of interest. Following are the approaches of managing conflict of interest:

- a) The board of directors shall frame guidelines for dealing with conflict of interest.
- b) investment decisions pertaining to the schemes of AIF should be in accordance with the investment objectives of the relevant schemes
- c) Investment of schemes assets in associates should be at arm's length, with proper rationale, within necessary regulatory limits and approvals, if any, required under the regulations
- d) Compliance department should maintain conflict of interest database and the investment team will co-ordinate with compliance department for reviewing the potential conflict while making investment decision.
- e) On an annual basis, every employee, officer and director of the AIF must submit a securities statement setting out the details of the securities of listed companies and unlisted companies held by him/her (including the securities held by his/her immediate relative) as per insider trading Code of Conduct of the Company.
- f) Rationale for voting on each shareholder resolution shall be recorded in the internal records.
- g) A clear segregation between the investment teams, voting functions and the Business Team shall be maintained.
- h) Business level conflicts shall be resolved on a case to case basis after factoring the relevant considerations.
- i) Conflicted employees, directors and officers will not be allowed to participate in the discussions and voting decisions / transactions in which they are interested

### **Principle 3 – Monitoring Investee Companies**

The investment team carries out financial analysis of the investee companies, engages with the senior management/investor relations officials or any other management personnel/promoters of the investee companies as part of the research process that could lead to an investment in an investee company and once investment is made, the investment team continues to monitor each investee company.

Monitoring of investee companies is done with the aim of enhancing the medium-to long-term corporate value, capital efficiency and supporting the sustainable growth.

This includes monitoring the investments and measuring the portfolio's performance relative to the benchmarks. Report on investment performance is prepared on quarterly basis and portfolio plan is reviewed. the portfolio situation and goals determine if there have been any significant changes. The portfolio review then determines if the allocation is still on target to track the risk-reward profile. If it is not, then the portfolio can be rebalanced, selling investments that have reached their targets, and buying investments that offer greater upside potential.

A variety of factors, including non-financial ones are considered as relevant. Factors may include, for example, governance, strategy, performance, fundamentals, capital structure, and risk

management (including how the companies address risks arising from social and environmental matters) of the investee companies. Investment team endeavor to identify at an early stage issues that may result in a material loss in the value of investee companies

Investment team strive to recognize the risks associated with Investee company businesses as the proactive identification, assessment, measurement and managing risk effectively is critical to the immediate and future success of the investment made by the Fund.

Investment team follows different levels of monitoring for different investee companies, areas of monitoring, mechanism for monitoring, etc. It specifically identifies situations where they do not wish to be actively get involved with the investee companies e.g. in case of Investment below one crore.

The Investment team makes sincere attempt to identify, assess, measure and then manage threats that could threaten the Fund's investments and then take appropriate steps in the interest of investors.

Investment team will decide the level of monitoring for companies depending on the investment in the company with respect to the total AUM of the AIF.

For the said monitoring process Investment Team will use publicly available information, and may be carried out through a combination of following -

- a) Interaction with Management through meetings, calls or emails.
- b) Preparation of periodic notes on the Companies.
- c) Information available in public domain.
- d) Research Reports on Company and/or Industry.
- e) Discussion with various stakeholders.

While endeavor would be to ensure at least one meeting is held with the investee company management in a year, there may 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 is being provided by the management. In such cases, it is possible that monitoring is done on best efforts basis with the help of other sources viz. report of research analyst.

TCG Advisory shall make timely and adequate disclosure to investors and concerned authorities as per the provisions of SEBI (AIF) Regulations for Alternative Investment Funds as may be required from time to time.

SEBI insider trading regulations will be followed while seeking information from the investee companies for the purpose of monitoring.

**Principle 4 – Intervention in Investee Companies and Collaboration with Institutional Investors**

TCG Advisory may intervene on case to case basis if it feels that its intervention is required to protect the interest of the contributors/unitholders. Such intervention may be on standalone basis or along with collaboration with other institutional investors.

Situations, which require intervention from time to time, may include but not limited to matters like

- a) Poor financial performance of a company
- b) Issues relating to corporate governance
- c) insufficient disclosures,
- d) Inequitable treatment of shareholders
- e) non-compliance to regulations,
- f) performance parameters,
- g) governance issues,
- h) remuneration and composition of Board,
- i) leadership issues,
- j) Lawsuits/litigation,
- k) corporate plans/ strategy,
- l) CSR and environment related matters.
- m) Any other important issue

Decision on active intervention, as detailed below, would be taken by the Investment Committee in respect of the investee companies. 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 there are other factors which warrants intervention.

In case of issues of serious nature, the Investment Committee may decide, for rationale to be recorded in writing, to intervene in respect of investments less than the threshold level. (one crore)

The hierarchy of intervention is outlined as below:

**Communicate** – Interaction with the investee company, in a confidential manner, to resolve the issue constructively. 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, TCG Advisory may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings.

**Escalation** – If dissatisfied with the progress through the 1<sup>st</sup> step above, TCG Advisory will proceed to escalate the matter further first by communication to the Managing Director and/or Chairman of the investee company, and thereafter to the Board of Directors of the investee company

**Reporting to regulators/authorities** - Despite escalation, if there is no response or action taken by Investee Company, the Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required.



TCG Advisory decision to engage is a result of a number of factors. Those companies in whom a significant investment is held and in which the fund manager intends to maintain a holding for the long-term are considered high priority engagements, together with those where a reasonable probability is believed that the investee company's management team will enter into constructive dialogue with us. In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions should be conducted in private and confidential manner.

### **Principle 5 – Policy on Voting**

TCG Advisory is duty bound to protect and enhance the wealth of its contributors/unitholders and to improve governance of the investee companies, TCG Advisory's voting decisions in the investee companies are taken after an in-depth, detailed analysis and fact finding. We have a comprehensive voting policy which includes details of mechanisms of voting, circumstances in which voting should be for/ against/ abstain, disclosure of voting, etc.

TCG Advisory voting policy inter-alia includes:

- a) Mechanisms of voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)
- b) Voting Guidelines
- c) Disclosures of voting etc.

### **Principle 6 – Reporting**

TCG Advisory shall report to its contributors/unitholders periodically on its stewardship activities in the following manner:

- a) A report on the implementation of every principle may be placed on website or may also be sent as a part of annual intimation to its beneficiaries as per *Annexure – A*.
- b) Different principles may be disclosed with different periodicities. E.g. Voting may be disclosed on a quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis.
- c) Any updation of policy on the website be done as and when policy is updated.
- d) The report may also be sent as a part of the annual intimation to our beneficiaries.

### **Ownership**

The policy is owned by the Investment Team of TCG Advisory, which would monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose. Investment Team will provide its decisions and recommendations (along with supporting documents) to Investment Committee or Board on timely basis, on the stewardship related issues referred to them.

**Annexure – A**

**Format for annual reporting of compliance status of stewardship code**

<b>Sr. No.</b>	<b>Particulars of Principles of Stewardship Code</b>	<b>Status (Complied, Deviation, Partly complied, Not complied)</b>	<b>Reason for deviation or non-compliance</b>
1	Same no change	Complied	N.A.