

# Spark Asia Impact Private Limited

## Stewardship Code

## Introduction

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Spark Asia Impact Private Limited (formerly known as Spark Alternative Asset Advisors India Private Limited) (“SAIPL”) is the Investment Manager (the “Manager”) of Spark Alternative Investment Trust (the “Fund”), a Category II AIF (SEBI registration no: IN/AIF2/18-19/0639). The Fund shall launch various schemes under it from time to time.

## Objective

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SEBI vide its circular ref.: CIR/CFD/CMD1/168/2019 dated 24<sup>th</sup> 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, and has mandated to formulate a Stewardship Code based on six principles laid down by SEBI.

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 SAIPL (“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.

## 1. Policy on Discharge of Stewardship Responsibilities

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To the extent that the Fund invests in listed equities, the Manager shall follow the below mentioned policy in discharge of its Stewardship responsibilities.

The Manager shall monitor and engage with investee companies with an intent of improving the value of its equity for benefit its end clients.

The Manager shall primarily monitor key areas of all investee companies such as capital allocation and structure, its competitive positioning and agility of response vis-à-vis emerging threats and market opportunities, talent retention and compensation plans, appointments to its board and auditors, approach to risk, inorganic mechanisms to propel growth, approach to environmental, social, and governance (ESG) opportunities and completeness and clarity in disclosures.

The Manager shall productively engage with investee companies through meeting its management and the board, attend calls organised by investee company, and vote in the

manner that is aligned to the best interest of underlying investors, while also being transparent in reporting such decisions.

The Manager shall appropriately engage and intervene on any issue/matter which may, potentially, affect investee company's ability to deliver long-term sustainable performance and value.

The Manager shall endeavor to work collectively with other institutional investors and support collaborative engagements organised by representative bodies and others.

## 2. Policy on Managing Conflicts of Interest

The Manager shall conform to its internal policy on conflicts of interest and shall ensure that an indicative list of such conflicts is outlined and shared with its investors under the relevant section of private placement memorandum of relevant schemes.

To the extent that the Fund invests in listed equities, the Manager shall follow the below mentioned policy in managing conflicts of interests.

As part of a group that has multiple businesses, there may be a scope for potential conflicts to arise. The Manager shall undertake reasonable steps to avoid actual or potential conflicts of interest and shall consider its fiduciary responsibilities with the aim of acting in the best interests of all of its clients.

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

- 1) Any conflict of interest in relation to an investee company shall be highlighted to the management.
- 2) The employees in the Investment Teams shall comply with the Spark Group Code of Conduct for Employees with respect to employee trading norms.
- 3) Roles of the sales function and those of the Investment Team are clearly segregated and where necessary, Chinese Walls are maintained. Matters on conflict of interest may be referred to the Board where deemed necessary and based on the decision of the Board, the conflicted employee may be recused from making a decision in such cases.
- 4) Rationale for voting on each shareholder resolution shall be recorded by the Manager. The Manager may consider abstaining from voting when the Manager and the investee company are part of the same group, unless the Manager records rationale for voting on such resolutions.
- 5) Rationale behind a new investment decision shall be recorded.
- 6) Blanket bans on investments in certain cases.
- 7) The Manager should maintain records of decisions taken to address such conflicts.

## 3. Policy on Monitoring Investee Companies

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To the extent that the Fund invests in listed equities, the Manager shall follow the below mentioned policy in monitoring and tracking the investee companies.

The Manager will monitor its investee companies to ensure that its investment objectives are met. The Manager will monitor the following areas which shall include:

- a) Capital structuring and allocation;
- b) Company's performance – operational and financial;
- c) Company's ongoing market strategy;
- d) Industry level monitoring and possible impact on the investee companies.
- e) Company's board and management, Governance matters including remuneration and related party transaction.
- f) Shareholder's rights and grievances.
- g) Succession planning.

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 Manager/ analysts shall, where feasible, attend meetings/conference calls conducted by the management of investee company. The Manager/ analysts may also use publicly available information, sell side research and industry information. However, while dealing with the investee company, the Manager shall ensure compliance with the Spark Code of Conduct on Employee Trading.

Based on the percentage of investment in an investee company, the Investment Team may determine the scope and level of monitoring that may be warranted.

## 4. Policy on Intervention in Investee Companies and Collaboration with Other Institutional Investors

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To the extent that the Fund invests in listed equities, the Manager shall follow the below mentioned policy for intervening with an investee company and collaborating with other institutional investors if it deems necessary.

The Manager, if in its opinion deems necessary and material, will intervene or raise concerns on any act /omission of investee company including but not limited to poor financial performance of such investee 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.

However, should management of the investee companies be unresponsive to the Manager's repeated requests to contact them with an intention of having a constructive conversation, the latter shall seek recourse to available options to escalate the matter as is deemed appropriate.

The Manager may collaborate with other institutional investors if necessary. However, the Manager shall independently highlight its concerns.

The Manager shall record and assess the outcome of such interventions and take appropriate actions in the interest of its clients, as it may deem fit.

## 5. Policy on Voting and Disclosure of Voting Decisions

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To the extent that the Fund invests in listed equities, the Manager shall follow the below mentioned policy for voting on proposals set by the investee company and disclose the same to its investors.

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 investee company after in-depth analysis. As Manager, it has a fiduciary responsibility to act in best interest of investor and this responsibility includes exercising its voting rights for the securities in which the schemes of the Fund have invested in.

The Manager will endeavour to vote on all proposals being put forth by its investee companies, subject to following two considerations:

- If, in the assessment of the Investment Team, the matter is a routine one that is not detrimental to the interests of its clients,
- If the Fund has an economic interest in an investee company that is not in excess of 0.5% of its equity outstanding

In all cases under which votes are cast, the Manager shall adopt those positions that best suits the interests of the investors. The Manager may engage with a proxy voting advisory services for providing recommendations.

Depending on feasibility and options provided by the investee company, the Manager may choose to vote through either e-voting mechanism or by physically attending meetings.

The Investment Team shall, to the best of its abilities and in interest of its clients assess the proposal, take a decision on voting and record the rationale for the same.

The guidelines mentioned herein on conflict of interest and as disclosed in the private placement memorandum shall be given due regard at the time of casting votes.

Voting decisions will be disclosed annually to all the investors of the Fund.

## 6. Policy on Disclosure and Reporting of Stewardship Activities

This Code will be available on website of the Manager. The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of the investee company or preclude a decision of the Company to sell a holding when it is in the best interest of the investors/beneficiaries.

Disclosures on votes cast on resolutions proposed by investee companies, if any and a report on the Manager's compliance with principles of the Code, if applicable, will be circulated annually to the investors within 120 days from the conclusion of the financial year and updated on the website.

The Manager shall update this Code, as amended from time to time.