

Stewardship Code



New Mark Capital

Background:

Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/CMD1/168/2019 has prescribed Alternative Investment Funds (AIF) to adopt a stewardship code, in relation to their investment in listed equity.

New Mark Capital India Fund I (Fund) is a category III AIF that primarily invests in listed equities in accordance with its investment objective and Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

The Stewardship Code (Code) is adopted to lay down the broad guidelines and principles to monitor and engage with the Fund's investee companies to protect the interests of the Fund's investors. Stewardship principles includes engaging with investee companies on various matters including performance, strategy, corporate governance, Environmental, Social & Governance (ESG) opportunities or risks, capital structure and other issues that could have a material impact on the long term returns of the Fund's investors.

The Code is agreed and accepted by the Investment Manager and members of the investment team and shall be reviewed on a regular basis to incorporate/adopt any change(s).

Guiding Principle(s) of the Code:

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

1. A comprehensive policy and guiding principles to fulfil the stewardship responsibilities
2. Managing conflict of interest to ensure investor(s) interest is placed first
3. Continuous monitoring of listed portfolio companies in which equity investments have been made
4. Identification of circumstances and the manner of intervention for regular assessment of portfolio companies
5. Participation in voting and disclosure of voting activities
6. Periodical reporting of stewardship activities

The Fund shall carry out Stewardship activities for those portfolio company(s), where equity investments exceed 5% of the combined Net AUM of the Fund or INR 10 crores, whichever is less. However, the Fund may decide to intervene in investee companies where the investment is below threshold level, considering the significance of the issue. Towards fulfilling stewardship activities, it shall abide by this Code and shall be guided by the following principles:

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

- Before making an investment, the Fund would take into consideration, the historical performance, benchmarking with peers, industry attractiveness and corporate governance practices of investee companies;
- Take ownership to protect and enhance investor value through productive engagement with investee companies;

- Vote and engage with investee companies on all key matters of concern;

The Fund may fulfil the purpose through periodic interaction with management of investee companies and voting on shareholders' resolutions with a view to enhance value creation for the Fund's investors and the investee companies. During interaction with investee company management the Fund will advocate following best practices of corporate governance. It will collaborate with other institutional investors, investment professionals and support efforts organised by representative bodies.

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

While carrying out portfolio investments, the Fund may be faced with a conflict of interest, particularly relating to investment in companies where the Investment Manager and/or members of the investment team has direct personal interest

To ensure that there is no conflict of interest, the investment in companies where the Investment Manager and/or the members of the investment team has direct personal interest, the member(s) should raise the issue with investment manager before the Fund makes the investment decision and resolve the conflict through the member exiting the position or holding the same for the duration the Fund holds the investment.

3. Continuous monitoring of listed portfolio companies in which equity investments have been made:

The Fund shall ensure that portfolio companies are closely monitored, through regular interactions with the management of investee companies, interaction with peers, benchmarking with peer performance, participation in conference calls organized by the company, attending conferences/events organized by intermediaries and reading research reports, presentations and annual reports released by the company and accessing other means of information, if any.

The interactions with the management of the investee company will be conducted in a private and confidential manner and ensuring 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 Fund 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 or governance issues, related party transactions, adverse corporate actions, or any other related matters. It may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Manager, the issue involved may materially impact the overall value creation and/or corporate governance or the Fund's investment.

The escalation matrix followed by shall be as follows:

- 1. Communication:** The Investment Manager/team shall communicate to the investee company's management about concerns of the Fund including suggested steps, if any, to mitigate such concerns. If the matter comes to voting, the Fund shall communicate its opinion through exercise of its voting rights
- 2. Engagement:** In the event the investee company's management fails to undertake corrective/constructive steps to resolve the concerns within a reasonable timeframe, the Fund shall take steps to engage with the Board of Directors of the investee company through a formal written

communication to highlight the Fund's concerns

3. **Collaboration:** The Fund shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary

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

5. Participation in voting and disclosure of voting activities:

The Fund will endeavour to offer its opinion on all key matters put to shareholders' vote. The matters may include (but not limited to) corporate governance, future prospects, Director appointments and compensation, capital expenditure, restructuring / merger & acquisitions and related party transactions. The Fund may also consider the recommendation / opinion of proxy advisory firms while voting. The Fund shall maintain a record of its voting on investee company resolutions and any material difference of opinion will be disclosed to the Fund's investors in its periodic communication.

6. Periodical reporting of stewardship activities:

The Fund shall report any significant action taken on its stewardship activities to its investors in its periodic communication.