



IIFL Management Services Limited (“IIFLMSL”)

Stewardship Policy

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Regulatory Reference:

- SEBI Master Circular dated May 07, 2024, having reference no. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39.

1. Content Management

Document Control	
Title	Stewardship Policy
Policy Owner	Compliance Team
Policy Adherence by	Investment Team and Compliance Team
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Approved by	Board of Directors of IIFLMSL / May 15, 2024

Version	Updates	Effective Date	Next Review Date
1	Original	January 21, 2022	May 15, 2024
2	Updation of policy	May 15, 2024	May 15 ,2025

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.

This policy shall be effective from May 15, 2024.

2. Regulatory reference, objective and applicability

SEBI vide Master Circular dated May 07, 2024, having reference no. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39 has prescribed all institutional investors to increase engagement with investee companies for increased corporate governance. Accordingly, SEBI has prescribed following six principles of stewardship code:

1. Formulate a comprehensive policy on discharge of stewardship responsibilities, public disclosure, periodical review and updation ;
2. Clear Policy to manage conflicts in fulfilling stewardship responsibilities:
3. Monitoring of investee companies:
4. Policy for intervention in investee companies and collaboration with other institutional investors where required to preserve interests of the ultimate investors:
5. Clear policy on voting and disclosure of voting activity: and
6. Periodical reporting of stewardship activities.

APPLICABILITY

This Policy shall apply to all categories of AIFs in relation to their investment in Listed equity managed by IIFL Management Services Limited ("IIFLMSL") in the capacity of Investment Manager.

The provisions including roles and responsibilities of various functions under this policy adhered to by the respective functions of IIFLMSL.

Currently, IIFL Management Services Limited is an Investment manager ["IM"] for the following schemes:

Sr.No.	Name of Trust/Fund	Category of Registration	Schemes launched under the Trust
1.	IIFL Securities Dynamic Fund (IN/AIF3/19-20/0770)	Cat III AIF	IIFL Securities Dynamic Fund
			IIFL Derivatives Advantage Fund
2.	IIFL Securities Capital Enhancer Fund (IN/AIF2/21-22/0888)	Cat II AIF	IIFL Fintech Fund
			IIFL Fintech Fund – Series II
			IIFL Large Value Fund – Series 1A
3.	IIFL Alternative PE Fund (IN/AIF2/16-17/0289)	Cat II AIF	IIFL One Opportunities FOF – Series 1
			IIFL One Value Fund Series B

IIFLMSL has set up this policy for ensuring compliance with SEBI circular and work towards greater protection of investors of the Schemes which are invested in such companies.

This policy shall apply to all the Schemes launched under the Fund from time to time, unless and until specifically exempted from the applicability. Schemes launched during the year shall be deemed to be part of this policy.

3. Stewardship Responsibilities

3.1 Key Stewardship Responsibilities

The key objective of our stewardship initiative is to maximize the long-term value of securities we hold in our portfolios across all Schemes. Our focus will be on the most financially material issues where we can drive the creation of long term value.

IIFLMSL shall for Schemes where it takes cash positions (not derivatives) shall take into consideration various aspects impacting shareholder value and shall continue to monitor the investee companies on the following parameters:

- a) Corporate governance practices
- b) Enhance shareholder value through productive engagement with investee companies and management representatives - where needed and to the extent possible:
- c) Vote in shareholder's meetings - where deemed necessary as per policy and in the best interest of unitholders of the Scheme:
- d) Maintain transparency in reporting of its voting decisions and other forms of engagement with investee companies: and
- e) Be accountable to investors of the schemes within the parameters of professional confidentiality and regulatory regime.

3.2 Manner of discharge of key stewardship responsibilities

IIFLMSL shall discharge its stewardship responsibilities through:

- a) Voting on shareholders resolutions, in accordance with this Policy with a view to enhance value of investors and investee companies:
- b) Discussions with management representatives of investee companies, wherever warranted as per discretion of investment manager.

3.3 Responsibility

The roles and responsibilities are defined as below:

Investment Team: The respective Investment team shall be responsible for ongoing monitoring of the investee companies, for engaging with the management of the investee companies and for identifying situations which require intervention in the investee companies and manner of this intervention. The investment team shall also be responsible for identifying situations which may give rise to a conflict of interest. The team may seek guidance from the Investment Committee (if any) or compliance/business team in matters pertaining to intervention in investee companies or conflict of interest.

The team shall also be responsible for maintaining the records pertaining to the voting activities and maintaining a list of investee companies in which conflict of interest, as defined below herein has been identified.

Compliance Team: The Compliance Team shall be responsible for disclosures pertaining to stewardship activities including voting report at a frequency stated by SEBI.

3.4 Oversight of stewardship responsibilities

The Fund Manager of respective scheme shall maintain oversight on stewardship activities of IIFMSL.

3.5 Training of personnel responsible for implementation of the policy

Personnel(s) responsible for implementation of Stewardship policy shall undergo periodical trainings (atleast annually) so the policy can be effectively implemented.

3.6 Disclosure of stewardship policy

Stewardship policy including any modifications shall be disclosed on the website.

3.7 Review of Policy

The Policy shall be reviewed periodically but not less than on annual frequency.

4. Conflicts of interest

4.1 Conflicts of interest

'Conflict of Interest' instance exists where interest or benefits of IIFLMSL [including its associates/subsidiary, employee and officer] conflict the interests or benefits of its shareholder/ investor or investee company.

The directors of IIFLMSL, employees and officer of IIFLMSL shall undertake reasonable steps to avoid actual or potential conflicts of interest situations. In the event of any doubt as to whether a particular transaction would create [or have potential to create] a conflict of interest, employees, officers and directors of IIFLMSL shall consult with the Business and / or Compliance Officer.

4.2 Identifying instances of conflict

While dealing with investee companies, there may be following instances where:

- 4.2.1 IIFLMSL and Investee Company may be part of the same group:
- 4.2.2 Investee company is also client of IIFLMSL (holding 5% of corpus of any scheme):
- 4.2.3 IIFLMSL is a lender to the Investee Company pursuant to investment in permissible debt instrument.
- 4.2.4 Any Associate Company of the Fund, directors and employee of IIFLMSL is a director or a shareholder holding more than 2% of the paid-up capital of the investee company:
- 4.2.5 A nominee of IIFLMSL may be appointed as nominee director of the investee company: and
- 4.2.6 Investee company is an entity engaged in distribution of products managed by IIFLMSL and forms part of top 10 distributors [basis quarterly pay outs]

The above instances are inclusive and instances where interests or benefits of IIFLMSL [including its directors, officers and employees] conflict with the interest or benefit of the Scheme i.e. unitholders of the Scheme, shall be considered as instances of conflict.

4.3 Dealing with conflict of interest

IIFLMSL shall identify and deal with such situation, which inter alia requires to do the following:

- Rationale for voting of each shareholder resolution shall be recorded:
- Employees of IIFLMSL deal in securities, in accordance with Insider Trading Code
- Employees engaged in voting decision and sales team are segregated

- Employees, officers and directors of IIFLMSL will submit to compliance officer record of outside appointment/ professional engagement
- Save in the ordinary course, the personnel engaged in voting decision making shall not engage with the investee companies outside the scope of their duties under this policy.
- Employee should refuse from decision making in case of the they are having any actual/ potential conflict of interest in the transaction.

Nonetheless, even though potential conflicts of interest may arise, IIFLMSL shall exercise its vote [positive or negative]/ abstain, in the best interest of unitholders. Further, where there is a nominee of IIFLMSL on the Board of directors of an investee company, IIFLMSL shall abstain from voting in the shareholder voting proposal.

However, the Investment Team while exercising its voting under conflict of interest situation shall highlight such instance to the Business and / or Compliance Officer and Investment Committee (if any) and vote post taking approval from compliance officer.

Any instance of conflict of interest situation under this policy shall be disclosed along with voting disclosure.

5. Monitoring of investee companies

IIFLMSL being an investment manager is responsible for assessing and monitoring the investee companies and take corrective actions to protect the interest of the unitholders of the scheme.

5.1 Monitoring of Investee companies

- The Investment team shall be responsible for supervision and monitoring of investee companies, business strategy, performance, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance, cultural, social and environmental matters.
- The Investment team shall use publicly available information, sell side research and industry information, engage with the investor companies' investor analyst calls: to monitor the investee companies:
- The Investment Team while dealing with Investee Companies shall ensure compliance with SEBI [Prohibition of Insider Trading) Regulations:
- Any investment team member who is in access to 'unpublished price sensitive information' shall inform the business and / or Compliance officer, so as to ensure that such information is dealt upon in manner of IIFLMSL policy of insider trading and dealing with such unpublished price sensitive information.

5.2 Levels of Monitoring

IIFLMSL shall actively exercise its voting rights at any of shareholders meetings where under all the Schemes it holds either 1% of the paid up capital of the investee company or the exposure to such investee company is more than 2% of the corpus of the scheme whichever is lesser. In other instances, the investment manager shall not exercise its voting power since the amount invested / exposure to such investee company is not considered as significant by IIFLMSL.

Further, IIFLMSL shall not engage with such investee companies which are undertaken for arbitrage positions.

6. Intervention in the Investee Company

6.1 Intervention in the Investee Company

- [i] IIFLMSL shall intervene in the acts of omission and commission of an Investee Company of which it holds more than 2% paid up capital of the investee company.
- [ii] IIFLMSL shall intervene if, in its opinion any act of omission / commission of the investee company is considered as material on a case to case basis [and may potentially have negative impact on the schemes], including but not limited to insufficient disclosures, inequitable treatment of shareholders, breach of regulations which is in the nature of corporate governance, environmental non-compliance, ESG matters, related party transactions, performance parameters, corporate plans/ strategy etc.

6.2 Manner of Intervention

Decision of intervention shall be decided by the Investment Committee or Fund Manager of IIFLMSL based on following parameters:

- [i] IIFLMSL shall not intervene if the threshold is below the prescribed level of investment
- [ii] IIFLMSL may consider intervening in matters below the threshold set of investment, if in the reasonable opinion of the Investment Committee or Fund Manager, the issue involved may adversely impact the investment made by the Schemes managed by IIFLMSL.

6.3 Engagement with the Investee Company

The intervention and escalation policy of IIFLMSL shall be as follows:

- [i] Engagement: IIFLMSL shall take all reasonable measures to engage with management of investee company to resolve any concerns, where the stake of the scheme is relevant vis-a-vis an investee company and can materially impact [negatively] the schemes.
- [iii] Escalation to Investment Committee or Senior Management: In the instance where management of the investee company fails to undertake constructive steps to resolve concerns raised by IIFLMSL, the same shall be raised to the Investment Committee if any or Senior Management. Further, the Investment Team may in the interest of the unitholders of the scheme may consider disinvestment from the Investee Company.

6.4 Collaboration with Institutional investors

- [i] IIFLMSL shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed acting as a 'person acting in concert' with other shareholders.
- [iii] Matters which may require collaborative engagement may include appointment / removal of directors, executive remuneration, disinvestment matters, dealing with inequitable treatment of the shareholders and related party transactions.
- [iii] IIFLMSL may consider collective engagement with other shareholders/ institutional investors/ proxy advisory firms/ advisory firms on a general basis and in particular where it believes a collective engagement will lead to a higher quality and better response from investee

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company:

- [iv] IIFLMSL may be approached by other asset managers or institutional investors or other type of shareholders to provide joint representation to the investee companies to address specific concerns.
- [v] IIFLMSL shall where permitted, collaborate with other shareholders or professional associations or regulators to solicit views.

7. Exercise of voting and disclosure

7.1 Voting and disclosure of voting activity

- [i] IIFLMSL shall vote on all shareholder resolutions where the Schemes of IIFLMSL under following circumstances:
 - all the Scheme put together holds 1% of the paid up capital of the investee company:
 - exposure to such investee company is more than 2% of the corpus of the Scheme whichever is lesser.
 - Schemes shall not exercise voting where arbitrage position has been taken for the Stock.

Irrespective of the above, IIFLMSL may exercise voting in the best interest of unitholders and enhancement of long term and sustainable value creation at investee companies .

[ii] Mechanism for voting:

IIFLMSL shall be primarily using e-voting mechanism to exercise voting. However, where the Investment Team believes it should attend shareholder meetings it shall appoint proxy and/or attend through its personnel.

[iii] Disclosure of Voting:

IIFLMSL shall record and disclose specific rationale supporting its voting decision with respect to each voting proposal received.

Further, a report on such voting exercised shall be hosted on its website on a half yearly basis. Further on an annual basis a consolidated report shall be sent to the investors.

[iv] Use of proxy voting advisors:

Scope of services:

IIFLMSL has agreed that proposed proxy voting advisor if any appointed shall be providing following key services:

- Providing voting recommendations for shareholders meetings [i.e. General meeting, Extra Ordinary General Meetings etc.
- Access to the online voting platform to enable system-based review of recommendation, instructions for casting of vote by investment team and maintaining record.
- Proxy voting advisors shall be only providing advisory services. The final decision and

manner of voting shall be on IIFLMSL and at all times in the interest of unitholders of the scheme.

IIFLMSL reserves to engage with such other proxy advisors as may be required from time to time.

8. Reporting of Stewardship Activities

IIFLMSL shall issue report detailing its voting exercised, manner of dealing with conflicts of interest, if any set out under this policy, extent of monitoring of investee companies, any intervention or collaboration undertaken within 180 days from the financial year end on its website.

9. Appendices

Appendix 1 – Definitions

Sr. No.	Abbreviation	Full Form
1.	Associate	Shall mean in terms of SEBI (AIF) Regulations, any company or a limited liability partnership or a body corporate in which a director or trustee or partner or sponsor or Manager of the Alternative investment fund or director or partner of Manager or Sponsor holds, either individually or collectively, more than fifteen percentage of paid-up equity share capital or partnership interest, as the case may be.
2.	Compliance Officer	Shall mean personnel designated as compliance officer
3.	Fund	As defined on page no.4
4.	Investee Company	Such listed companies where the schemes of the fund make investment
5.	Investment Committee	Shall mean Investment Committee of IIFLMSL.
6.	Investment Team	Investment team as stated in the Private Placement Memorandum of the respective Scheme.
7.	Scheme	Scheme launched from time to time under the Fund.
8.	SEBI	Securities and Exchange Board of India