

STEWARDSHIP CODE

CHRYSCAPITAL ASSOCIATES LLP

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Applicability

Clarus Trust (hereinafter referred to as '**Fund**') is an Alternative Investment Fund established in India as a Trust under Indian Trusts Act 1882 and registered as a Category III Alternative Investment Fund (AIF) under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 vide registration number IN/AIF3/21-22/0899.

Clarus Capital I (hereinafter referred to as '**Scheme**') is the first scheme of Clarus Trust. There may be various schemes launched from time to time. The term Scheme / Schemes used in this document shall refer to Clarus Capital I and such other schemes launched from time to time, unless specified otherwise.

ChrysCapital Associates LLP (hereinafter referred to as **Investment Manager** or **Manager**) acts as the Investment Manager of the Fund.

This Stewardship Code is applicable to the investment team of the Manager.

Introduction

This document on Stewardship Code ("Code") sets out the framework and guidelines on discharge of the stewardship responsibilities of ChrysCapital Associates LLP, being the ("Investment Manager") to Clarus Trust. The Code has been framed in accordance with Guidelines on Stewardship Code for Alternative Investment Funds issued by [SEBI vide circular no CIR/CFD/CMD1/ 168 /2019 on December 24, 2019](#).

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Purpose

The Code enumerates the processes that the Investment Manager shall follow, in order to safeguard the interests of the investors of Scheme of the Fund, while managing the investments in listed equities under various Schemes of the Fund. The purpose of the Code is to enhance the quality of engagement with the investee companies as a step towards improved corporate governance practices with a view to enhancing long-term returns to investors and the governance responsibilities.

The Investment Manager will fulfill its stewardship responsibilities if the Schemes hold more than 2% of the paid-up capital of the investee company.

Principle 1: Formulation of comprehensive policy on the discharge of stewardship responsibilities, publicly disclose it, review, and update it periodically.

The Investment Manager manages various asset classes and has various investment capabilities. As sustainability is an important part of the investment philosophy of the Investment Manager, the following primary stewardship responsibilities shall be considered throughout these capabilities and asset classes:

- take into consideration the corporate governance practices of investee companies, when undertaking buy and sell decisions;
- take into consideration, in the investment process, investee companies' policies and practices on environmental, social and governance matters;
- enhance investor value to the extent possible through productive engagement with investee companies; vote and engage with investee companies in a manner consistent with the best interests of its investors; and maintain transparency in reporting its voting decisions.

Discharging Stewardship Responsibilities:

The Investment Manager on behalf of the Fund shall discharge its stewardship responsibilities through:

- voting on shareholders resolutions, with a view to enhance value creation for the investors and the investee companies;
- advocating for responsible corporate governance practices, as a driver of value creation; and
- advocating for environmental, social and governance opportunities or risks in investee companies.

Responsibility for oversight of the stewardship responsibilities:

- The investment team of the Investment Manager shall ensure that there is an effective oversight of stewardship responsibilities;

- The Investment Manager may avail the services of external agencies (institutional advisors) in discharging its Stewardship responsibilities;
- Notwithstanding the above, the ultimate stewardship responsibilities shall be discharged by the Investment Manager.

Disclosure of Code

This Code and any amendment thereto shall be disclosed on the website of the Investment Manager.

Training

The Investment Manager may provide training at regular intervals to the employees involved in the implementation of the principles laid out in the Code.

Principle 2: Clear policy on managing conflicts of interest in fulfilling stewardship responsibilities and publicly disclose it.

The Investment Manager shall abide by high level principles on avoidance of conflicts of interest. The detailed process of identifying and managing conflict of interest is as follows:

While dealing with investee companies, the Investment Manager may be faced with a conflict of interest, *inter alia*, in the following non-exhaustive instances, where:

- The investee company is an investor in the Scheme or related to Investment Manager for any business activity;
- Investee company is directly or indirectly linked to another investee company of Scheme;
- The investee company is a distributor for Fund / Scheme;
- The Investment Manager is a vendor;
- A nominee of the Investment Manager has been appointed as a director or a key managerial person of the investee company;
- A director or a key managerial person of the Investment Manager has a personal interest in the investee company;

Manner of managing conflict of interest:

- The interests of the investors will take precedence over the interests of the Investment Manager (and its employees, directors, and officers). Therefore, the Investment Manager will vote / take decisions on stewardship matters in the best interests of the investors;
- There shall be clear segregation between the investment team and the client relations / sales team;

- Documentation of the process of resolving any identified material conflict of interest in accordance with the conflict-of-interest policy.
- If it is not possible to resolve the conflict, the investment manager will abstain from voting under such circumstances.

Principle 3: Monitor the investee companies

- The investment team shall be responsible for monitoring the investee companies performance. The investment team may consider the investee companies' leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important while making investment decisions.
- 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 Investment Manager/ analysts shall, where feasible, attend meetings/conference calls conducted by the management of the investee company. Investment Manager/ analysts may also use publicly available information, sell side research and industry information, and shall engage with the investee companies to the best extent possible, through any means detailed above.
- While dealing with the investee company, the Investment Manager shall ensure compliance with its Code for Trading in Securities.

Principle 4: Clear policy on intervention in the investee companies and collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

The Investment Manager's engagement is integral to its investment processes as it firmly believes that this is an important way to preserve value for investors.

➤ **Applicability**

The Investment Manager shall intervene in the acts/omissions of an investee company, in which the fund holds at least 5% of the share capital of the investee company.

- The Investment Manager 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, poor financial performance of the investee company, Environmental Social and Governance risk, litigation or any other related matters

- **Intervention by the Investment Manager:** The decision for intervention shall be decided based on the following broad parameters:
 - The Investment Manager shall not generally intervene if the threshold is below the prescribed level or investment is already earmarked for divestment.
 - The Investment Manager may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Manager, the issue involved may adversely impact the overall corporate governance atmosphere or the Fund's investment.

The mechanisms for intervention are:

The Investment Manager engages with investee companies through both formal and informal channels, to the extent possible, including private meetings and attendance at investee company meetings as well as telephone and electronic methods.

- **Communication:** If concerns regarding an investee company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis and where possible as part of the Investment Manager's ongoing discussion.
- **Engagement:** In the event the Investee Company fails to undertake constructive steps to resolve the concerns raised by Investment Manager within a reasonable timeframe, the Investment Manager shall take all reasonable steps to engage with the management of the investee company to resolve such concerns by the Investment Manager.
- **Re-engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Investment Manager within a reasonable timeframe, the Investment Manager shall take all reasonable steps to re-engage with the management to resolve the Investment Manager's concerns.
- **Escalation** Where the Investment Manager's concerns have not been managed through the usual channels of communication, then the Investment Manager may seek to escalate the concerns. The Investment Manager shall engage with the board of the investee company (through 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.

In case the Investment Manager's intervention is not successful (either fully or partially), it will not automatically

result in the requirement to exit the Fund's investment in the investee company. The decision to purchase more equity or sell all or part of the Fund's investment in the investee company shall be made by the investment team, which may consider the outcome of the intervention as an input in its decision-making process.

Collaboration: The Investment Manager shall consider collective engagement with other institutional investors, professional associations, regulators, advisors, and any other entities where it deems necessary on a general basis and in particular, when it believes, a collective engagement will lead to a higher quality and/or a better response from the investee company. The Investment Manager may approach, or may be approached by, other Investment Manager/Asset Managers/Insurers/Mutual Funds etc. to provide a joint representation to the investee companies to address specific concerns. The Investment Manager shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a "person acting in concert" with other investors.

Principle 5: Clear policy on voting and disclosure of voting activity.

- The Investment Manager shall exercise their voting rights and vote on shareholder resolutions of investee companies in accordance with the voting policy.
- The Investment Manager shall disclose all voting activity of the Fund annually to investors on the website along with rationale.
- Attendance at General Meetings: The Investment Manager shall strive to attend general meetings of the investee companies (annual as well as any extra ordinary shareholders' meetings) to the extent possible, actively speak and respond to the matters being discussed at such meetings, if required.
- Mechanism: The Investment Manager may vote on behalf of the Scheme whether by means of e-voting, physically attending meeting, voting through proxy, custodian or otherwise.

Principle 6: Periodically report on stewardship activities

The Investment Manager on behalf of the Fund shall provide a report of the discharge of its Stewardship Responsibilities annually as a disclosure on its website and as a part of annual intimation to its clients