

1. Introduction and Purpose

SEBI vide Master Circular no. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39 dated May 07, 2024, or such other amendment/ supplemental made thereto (“**SEBI Master Circular**”) has mandated all AIFs to follow the stewardship code in relation to their investments in listed equities. The Code enumerates the processes that the Investment Manager may intend to follow in order to safeguard the interests of the investors/unitholders of the Fund while managing the investments in listed equities. The purpose of the Code is to enhance the quality of engagement between IKIGAI and the investee companies of the Fund as a step towards improved Corporate Governance practices with a view to enhance long term returns to investors and the governance responsibilities

The Investment Manager views stewardship as a step towards improved corporate governance and shall ensure compliance with SEBI’s guidelines on stewardship code and effectively manage conflicts in that regard.

This Code documents the guiding principles to be adopted and followed by the Key Investment Team. The Code is prepared based on principles enumerated in the said SEBI Master Circular. The Code shall act as guidance to the Investment Manager and the Investment Team for discharging stewardship responsibilities as per the SEBI Master Circular. The Investment Team shall ensure that they act in the interest of the investors/ unitholders.

2. Key Principles adopted in the Code

Principle 1

Discharge of stewardship responsibilities

The Investment Manager manages the Fund with the objective of generating returns consistent with the investment objective of the Fund. It is, therefore, central to the investment process of the Investment Manager to consider each company's ability to create, sustain and protect value.

As sustainability is an important part of the investment philosophy of the Investment Manager, following are the primary stewardship responsibilities taken into account throughout these capabilities and asset classes.

- take into account the corporate governance practices of investee companies, when undertaking buy and sell decisions.
- take into consideration, in the investment process, investee company’s policies and practices on environmental, social and governance (ESG) matters.
- enhance investor value through engagement with investee companies;
- vote and engage with investee companies in a manner consistent with the best interests of its investors;
- be accountable to investors within the parameters of professional confidentiality and regulatory regime; and
- maintain transparency in reporting its voting decisions and other forms of engagement with investee companies

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 and advocating for responsible corporate governance practices, as a driver of value creation.

The Investment Manager shall also be responsible for reviewing the Code at regular intervals or any time as may deemed necessary and recommend to the Board changes/ modifications to the Code in case of any amendment in the applicable laws, including, without limitation, the SEBI Master Circular and SEBI AIF Regulations.

Principle 2

Managing conflicts of interest

The Investment Manager may face conflicts of interest in relation to its stewardship responsibilities in respect of the Fund being managed by the Investment Manager. While addressing and resolving such conflicts, the Investment Manager shall ensure that the interest of its investors/ unitholders is kept paramount.

A conflict of interest may be actual, potential, or perceived and may be financial or non-financial in nature. The Investment Team shall undertake reasonable steps to avoid actual or potential conflict of interest situations.

The voting for investee companies' resolutions may entail some instances of conflict of interest between the interests of shareholders of the Investment Manager and the investors'/ unitholders' interests. The Investment Manager has adopted a detailed Conflict of Interest Policy to manage any potential conflicts. The Investment Manager shall ensure that, in all cases of conflict of interests, the voting decisions of the Investment Manager shall be based on the best interests of the investors/ unitholders.

Certain Potential conflicts of interest

A conflict of interest may arise where the interests of the Investment Manager (including any of its employees, officers or directors) conflict with the interests or benefits of its unitholders or the investee companies.

Certain Potential conflicts of interest may arise in certain situations, such as:

- The investee company is a client of the Company;
- The investee company is a seller whose products or services are important to the business of the Company;
- The investee company is an entity participating in the distribution of investment products advised or administered by the investment manager;
- A director or a key managerial person of the Company has a personal interest in the investee company.
- The Company including all its employees and directors will use their best efforts to avoid such conflict of interest and ensure that such a conflict, if it arises, is resolved in the best interests of investors / unitholders.

The Investment Manager may follow following process to avoid potential conflicts:

- Avoid conflicts of interest wherever possible
- Identify and disclose any conflicts of interest in a timely manner; and
- carefully manage any conflicts of interest.
- Where a potential / actual conflict of interest is identified, the matter will be referred to the Compliance Officer or Founder- Director of the Investment Manager, who if deems appropriate, shall record the decision taken and supporting rationale.
- Once the conflict of interest has been appropriately disclosed, the Company will take the required decisions and record the decisions taken to address such conflicts.
- As a rule, in all cases of conflicts of interest the voting decisions of the Investment Manager will be based on the best interests of the investors/ unitholders.
- The voting decision of the Investment Manager in the investee company, as the case may be, will be guided by the Voting Policy of the Company.

Principle 3

Monitoring of Investee Companies

- The Investment Team will be responsible for monitoring the investee companies and for engaging with the managements of the investee companies. The Investment Team may consider factors like investee companies leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important while making investment decisions.
- The Investment Team will be responsible for laying down the process for monitoring of the investee companies. Such a monitoring process will lay down the key aspects for monitoring including financial performance, management evaluation, business outlook, corporate governance issues, capital structure, industry level changes, strategies and key risk areas. The areas of monitoring with respect to investee companies will include regular monitoring of company strategy and performance, relevant industry level practices/developments and quality of management of investee companies.
- The Investment Team as part of its monitoring process may use publicly available information i.e., corporate disclosures on the recognized stock exchanges viz. quarterly results, annual reports, corporate announcements etc. It may also engage with the management of the investee companies on a periodic basis. Further, it may also study and analyze publicly available research findings and industry information from a credible source.

Principle 4

Active intervention in the investee companies

- Engagement with the investee companies is an integral to its investment processes as it firmly believes that this is an important way to preserve value for Fund investors.
- Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/strategy, initiation/pendency of litigation and leadership issues.
- Broad steps for intervention by the Investment Manager in the investee companies will be as follows:

1. Engagement with investee company

In case of instances identified for intervention, the Investment Manager on behalf of Fund as an active shareholder will endeavor to engage with the investee company's management to discuss the concerns, apprehensions, and actions to mitigate these concerns.

In case, where the concerned management of the investee company is not accessible for more than a reasonable period of time despite requests / reminders, then the Investment Manager may consider escalating the matter as per the process laid under point 3 below.

2. Re-Engagement with investee company

If there is no response from the management of the investee company on the concerns raised or there is any lack of follow-up actions as promised despite the passage of a reasonable period of time, the Investment Manger may re-engage with the management to reiterate the conclusions, or the plan of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.

3. Escalation to the Board of Directors of investee company

In case there is no progress despite the above steps, the matter may be discussed by the Investment Team may inform the Board of Directors of the Company for further escalation to the board of the investee company. If the Board of Directors of the Investment Manager decides to escalate the matter to the board of the investee company, then the communication to the board of the investee company will elaborate the concerns, enumerating inter-alia the pastrequests for engagement with the management of the company, the past discussions, and the agreed course of actions, etc.

4. Reporting

If there is no response or action taken by the investee company despite the first three steps. The Investment Manager may approach the relevant authorities.

In case the Investment Manager's intervention is not successful or sufficient, 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 with other institutional investors

- In select cases, Investment Manager may in collaboration with other investors, especially institutional investors, may try to engage with the investee companies in an effective manner. Collaborative approach is not only cost effective, it is efficient and potent as well as is likely to deliver the desired results. In such instances, the Investment Manager may willingly initiate action or support other investors' actions.

- The Investment Manager may choose to engage with the investee company in collaboration / consultation with the other institutional investors, whose interests are aligned with the Investment Manager in order to have a wider group of investors representing a larger proportion of shareholders to engage with the investee company.
- Investment Manager would be cognizant of legal and regulatory requirements while doing any collaborations.

Principle 5

Voting and disclosure of voting activity

- The Investment Manager on behalf of the Fund shall exercise their voting rights and vote on shareholder resolutions of investee companies in accordance with the voting policy adopted by the Fund.
- The Investment Manager shall disclose all voting activity of the Fund at least on an annual basis to investors or such other periodicity as the Investment deems fit. The Investment Manager shall also disclose if it has relied (either partly or fully) on the voting recommendations provided by any proxy advisory firm.
- 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) on behalf of the Fund where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings, if required.
- Voting: The Investment Manager may vote on behalf of the Fund whether by means of e-voting, physically attending meeting, through e-voting, voting through proxy or otherwise.

Principle 6

Reporting and disclosures pertaining to stewardship activities

- The Investment Manager will disclose on its website the implementation of the principles enlisted in this Code. Amendments to the format of disclosure shall be subject to periodic updates.
- Disclosures on the votes casted by the Investment Manager for all the resolutions put forth by the investee companies for shareholders' approval will be intimated to the investors at least on an annual basis or such other periodicity as the Investment Manager deems fit.

This Code, as amended from time to time, will be disclosed on the Investment Manager's website. Any change or modification to the Code will also be disclosed at the time of updating the Code on the website.