

A. K. ALTERNATIVE ASSET MANAGERS PRIVATE LIMITED
Stewardship Code
Document Name : [AKAAMPL/CO/SC]

Stewardship Code (“The Code”)

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STEWARDSHIP CODE

1. Background

A. K. Alternative Asset Managers Private Limited (hereinafter referred to as “**Investment Manager**”) is the sponsor to, and the investment manager of, the A K Alternative Investments Trust II (“**Fund**”), a Category II Alternative Investment Fund (“**AIF**”) registered with the Securities and Exchange Board of India (“**SEBI**”) under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (“**AIF Regulations**”) (SEBI Registration No. IN/AIF2/23-24/1311). A K Emerging Credit Opportunities Fund III (“**Scheme**”) is the second scheme of the Fund.

2. Introduction

SEBI vide its circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019 (“**Circular**”), introduced the ‘Stewardship Code’ for all categories of AIFs in relation to their investments in listed equities. The ‘Stewardship Code’ describes the approach taken by the Fund to stewardship based on the principles indicated by the Circular.

3. Applicability

This Code documents the guiding principles to be adopted and followed by the investment management team managing the Fund. This Code is prepared on the basis of principles enumerated in the said Circular. This Code shall act as guidance to the investment management team for discharging its stewardship responsibility.

This Code shall only be effective when the Fund makes investment in listed equities.

The compliance officer of the Investment Manager (“**Compliance Officer**”), shall be responsible for the implementation of the Code under the overall supervision of the board of directors of the Investment Manager.

The Investment Manager shall be deemed to have adopted this Code in respect of each scheme of the Fund severally and not jointly. No rights, responsibilities or liabilities of any scheme of the Fund shall be attributed to any other scheme of the Fund. This Code shall be deemed to be a separate Code for each scheme of the Fund, and each reference herein to “**Fund**” shall be deemed to be a reference to each such scheme severally and not jointly. The term “**Fund**” is used collectively herein for the sake of convenience only and shall in no way be deemed to impose or create any joint duties, obligations or liabilities among the schemes of the Fund.

4. Definitions

- 4.1. “Immediate Family Relationship”** with reference to any natural person, means anyone who is related to another, if:
- (i) they are members of a Hindu undivided family;
 - (ii) spouse of such person; or
 - (iii) one person is related to the other in such manner as may be prescribed under the Companies Act, 2013.
- 4.2. “Supervised Person”** includes (i) partners, key advisors, key persons, operating partners, employees, officers, directors (or other person occupying a similar status or performing similar functions), any support staff such as IT staff or secretarial staff who have access to unpublished price sensitive information and employee of the Fund; and (ii) any other person who provides investment advice on behalf of the Fund and is subject to the Fund’s supervision and control.
- 4.3. “Portfolio Company” or “Portfolio Companies”** means such company, special purpose vehicle, limited liability partnership, body corporate or other permissible entity/enterprise, whether Indian or foreign, in which the monies of the Contribution Fund are invested in accordance with the Applicable Laws.
- 4.4. “Prospect Company”** shall mean and include any company, special purpose vehicle or limited liability partnership or body corporate, fund or any other entity or venture which is or was under evaluation by the Fund, whether or not the potential investment is eventually made by the Fund, based on such evaluation, and shall include a subsidiary or holding company of such company or body corporate.

5. Objective

- 5.1.** The objective of the Code is to enhance the quality of engagement between institutional investors and the portfolio companies to help improve corporate governance practices with a view to enhance long term returns to the investors of the Fund.
- 5.2.** Stewardship responsibilities include monitoring and actively engaging with portfolio companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

6. Implementation of the Code

6.1. Principle 1: Stewardship Responsibilities

6.1.1. Role of Key Persons

The key persons of the Fund are responsible to safeguard interests of the investors. Hence, the key persons shall be responsible for overall implementation and execution of this Code. The stewardship responsibilities of the Fund shall be:

- a) The investment management team while making investment decisions shall take into consideration various aspects of a Portfolio Company, such as the Portfolio Companies' policies, strategies, financials, business processes, operational processes, environmental social governance (ESG) risks, practices on corporate governances (including board structure, remuneration, etc.), industry-level monitoring and possible impact on the Portfolio Companies and such other information as relevant for the purpose of making investment decisions in the Portfolio Company; To ensure active engagements with the Portfolio Companies including meetings with management, board or relevant personnel to identify, deliberate on and find possible solutions to the issues and continue discussions to formalize a better process to fill existing gaps;
- b) To exercise voting rights in the portfolio companies in a manner consistent with the best interests of the investors; and
- c) To have a clear policy on conflict of interest to ensure that the interest of the investors of the Fund is placed before the interest of any other person/entity.

6.1.2. Outsourcing

In case the Fund utilizes the services of any external service providers to support the investment management team in discharging its stewardship responsibilities, the Fund shall ensure that the engagement of such external service providers will be in compliance with the Fund's Vendor Management Policy.

6.1.3. Training and Review

A training program shall be formulated for training of the key persons, investment management team and such other employees who are involved for ensuring compliance of this Code. The training sessions shall be conducted to explain the responsibility under this Code along with amendments, if any. This may be done through external agency or internal team presentations.

6.2. Principle 2: Management of Conflict of Interest

6.2.1. Conflict of Interest Policy

The Fund has adopted a separate policy for managing conflict of interest to ensure that the interest of contributors of the Fund is protected.

6.2.2. Approach for resolution of conflict of interest

In addition to the provisions set out in the conflict of interest policy, the Fund shall establish procedures for managing and mitigating conflict of interest which shall include but are not limited to the following:

- (a) **Confidential Information:** In order to protect the interest of the Fund or Portfolio Company or Prospect Company, the Fund shall enter into appropriate confidentiality agreements with necessary persons to restrict the flow of information to certain individuals and prevent improper access to information; and
- (b) **Arm's Length Transactions:** The Fund will take appropriate measures intended to ensure that it or any Supervised Persons or the investment management team will not unfairly profit from any transaction and all such transactions shall strictly be done on an arm's length basis.

In the event the Fund, the Supervised Persons or investment management teams (including any of its members) are unable to implement sufficient controls to prevent damage to the Fund's interests, the Fund shall then disclose the relevant conflict of interest to the Board of Investment Manager or Board delegated authority.

The Board of Investment Manager is responsible for establishing, periodically reviewing and monitoring the compliances related to the Fund. Such disclosure will be in writing and will include sufficient detail to enable the Board of Investment Manager to take an informed decision with respect to the role of the Fund in the context of which the conflict of interest arises. No member of the Board of Investment Manager that is the subject of a conflict of interest scrutiny shall take part in the decision-making process with respect to such conflict of interest scrutiny.

6.2.3. For additional details, please refer to the conflict of interest policy.

6.3. Principle 3: Monitoring of Portfolio Companies

6.3.1.Areas of Monitoring

The investment management team is responsible for the periodic monitoring of the Portfolio Companies' performance. The investment management team shall periodically monitor the Portfolio Companies in the following areas including but not limited to:

- (a) Business strategy;
- (b) Financial performance and capital structure;
- (c) Practices on corporate governance especially include board composition (with respect to independence and diversity), size and quality (with respect to leadership and credentials of the board members), director remuneration and related party transactions;
- (d) Risks, including environmental, social and governance risks (ESG); and
- (e) Shareholder rights, including minority shareholders and their rights, shareholders' grievances etc.

6.3.2.Level of Monitoring for Portfolio Companies

The level and degree of monitoring/engagement may vary depending upon the materiality of investments. The investment management team shall determine the level of monitoring for the Portfolio Companies. The investment management team may identify situations where active engagement with the Portfolio Companies may not be necessary, especially if the investment is insignificant, etc. In case of Portfolio Companies where larger investments are made, higher levels of monitoring may be conducted.

6.3.3. Process of monitoring

The investment management team as part of its monitoring process may use publicly available information i.e., corporate disclosures on the exchanges viz. quarterly results, annual reports, corporate announcements etc. It may also engage with the management of the Portfolio Companies on periodic basis. Further, it can also review the sell side research and industry information, etc. The members of investment management team shall, where feasible, attend meetings/conference calls conducted by the management of the Portfolio Company. The Fund may be required to seek certain information from the Portfolio Company which may be necessary for monitoring purposes; however such information could be construed as insider information. In all such instances, the investment management team shall ensure due compliance with the Securities and Exchange Board

of India (Prohibition on Insider Trading) Regulations, 2015 and the Prevention of Insider Trading Policy of the Fund as well as ensure that the Fund does not breach the prohibitions or restrictions on insider trading.

6.4. Principle 4: Intervention in the Portfolio Companies

The Fund would intervene in the Portfolio Companies, on a case-to-case basis, wherever it deems necessary and the materiality of the investment makes it possible for the Fund to do so. The decision in this regard will be taken by the investment management team.

6.4.1. Identifying possible circumstance of active intervention

- (a) Continuous lack of financial performance;
- (b) Lack of corporate governance practices;
- (c) Inequitable treatment of shareholders;
- (d) Lawsuits/litigation;
- (e) Non-compliance with regulations; or
- (f) Any other important issue.

6.4.2. Mechanism of intervention and regular assessment of outcome of intervention

- (a) **Step 1: Engagement:** The investment management team member shall, if possible, have one-to-one meetings with the management team, engagement with specific teams etc. to resolve any concerns including steps to be taken to mitigate such concerns.
- (b) **Step 2: Re-Engagement:** In the event the management of the Portfolio Company fails to undertake constructive steps to resolve the concerns raised within a reasonable timeframe post initial engagement of the investment management team members of the Fund, the investment management team members shall reinitiate the engagement with the management to resolve its concerns and reiterate the conclusions or the plans of action decided at the prior meetings, if possible. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon, if possible.
- (c) **Step 3: Escalation:** In case there is no progress despite the Step 1 and Step 2, the Fund may escalate the matter for: (i) discussion with the board of directors of the Portfolio Company; and (ii) discussion at the general meeting of the Portfolio Company. If there is no response or action taken by the Portfolio Company despite

the efforts, the Fund may approach the relevant authorities governing the Portfolio Company.

- (d) **Step 4: Collaboration:** The Fund may also consider collaboration with other institutional investors, professional/industry associations and any other entities where it deems necessary on a case by case basis when it believes that collaborative actions would be an effective means by which investors can exercise appropriate influence.
- (e) **Step 5: Voting against Issue:** The Fund may consider voting against the issue if it disagrees with the management, observes improper governance practices or when above mentioned modes of intervention fails.

6.4.3. Investments in Portfolio Company

In case the Fund's intervention is not successful, it will not automatically result in the exit of investment in the Portfolio Company. The decision to purchase more equity or sell all or part of the total investment in the Portfolio Company will be made in the best interest of the investors, considering prevailing valuations and other market factors.

6.5. Principle 5: Voting Related Matters

6.5.1. Exercise of voting rights

The Fund shall exercise voting rights in the Portfolio Company in the best interest of the investors. The voting rights shall include vote for and against and abstention from exercising the rights. The Fund has in place a comprehensive voting policy which includes details of mechanisms of voting, circumstances in which voting should be for/against/abstain, disclosure of voting. The guiding principles related to voting are set out in **Annex 1**.

6.5.2. General Guidelines for exercise of voting rights

The Fund's decision either to vote or abstain from voting or vote against any of the proposal of the Portfolio Companies shall be made taking into consideration any possible implications on the Fund's interest. The Fund shall keep the interest of the Fund and its investors as paramount.

6.5.3. Use of proxy advisors

The Fund may at its discretion avail the services of the proxy advisors to support in decisions of voting in Portfolio Companies. The Fund shall not be bound by the recommendations of the proxy advisors; the Fund can exercise its own discretion in relation to voting decisions.

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6.6. Principle 6: Report on Stewardship Activities

The Fund shall provide periodic reports of its stewardship responsibilities in a simple format to the investors. A report may be placed on the website on implementation of every principle of the Code. Different principles may also be disclosed with different periodicities (e.g. voting may be disclosed on quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis). Any updates to the Code may be disclosed as and when undertaken. The report may also be sent as a part of annual intimation to the Fund's clients/ beneficiaries.

7. Annex A – Voting Policy**1. Voting Policy Guidelines**

- (a) The Fund shall endeavor to vote on all ordinary/special resolutions which may affect the investors' interests.
- (b) The Fund may authorize any of its officials or authorised agents to attend the meetings of the Portfolio Companies in person and to vote as approved internally basis the decision of investment management team.
- (c) The decision regarding the voting on the resolution (i.e., whether the Fund will abstain from voting or vote for or against the proposed resolution by the Portfolio Company) will be taken basis the decision of investment management team.

2. Abstain from voting

- (a) The Fund may also decide to abstain from voting in cases (a) where the proposal is not considered detrimental to the interest of the investors; (b) where the cost involved in exercising the voting rights far outweigh the advantages to be derived therefrom; and (c) where it has insufficient information or there is conflict of interest with the Fund.
- (b) The Fund may also abstain from voting in the Portfolio Company on certain matters which are general or routine in nature and are not likely to impact the Fund's interest in the Portfolio Company.

3. Mechanism for Voting

With the availability of voting through electronic means, the Fund shall cast its vote using an electronic platform. Where electronic voting is not possible, the Fund shall endeavor to vote in person, either by itself or through external proxy service providers.

4. Exception

The Fund will vote in accordance with the voting policy, but it may act differently if, the relevant facts and circumstances so warrant. Hence, the Fund may deviate from the voting policy guidelines when it determines that the deviation is necessary to protect the interests of the Investors.

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5. Disclosure

- (a) The voting policy will be shared with the investors at the time of onboarding of the investors and thereafter in case of any updates.
- (b) The Fund shall record and disclose the specific rationale supporting its voting decision (for, against or abstained from voting) with respect to each vote proposal and disclose it to the Investors on annual basis.
- (c) The Fund shall additionally publish a summary of the votes cast across all the Portfolio Companies and break-up in terms of total number of votes cast – for, against or abstained from voting.