

# **GUARDIAN CAPITAL PARTNERS FUND**

## **STEWARDSHIP POLICY**

### **Background**

Guardian Partners LLP (**‘GPL’ or ‘Investment Manager’**) acts as the Investment Manager to Guardian Capital Partners Fund (**the ‘Fund’ or ‘AIF’**) which has been established as a contributory determinate trust, settled under the Trust Act vide its Trust Deed, registered under the Registration Act, 1908. The Fund has been registered as a Category III AIF with SEBI vide registration number IN/AIF3/21-22/0918. The investment strategy of the Scheme is to primarily invest in listed Indian equities. The Scheme will be market cap agnostic and investing across the spectrum of large cap, mid cap and small cap stocks.

GPL is responsible, in its fiduciary capacity, to act in the best interests of its unit holders which, inter alia, include monitoring and engaging with the investee companies on behalf of the AIF. GPL believes that good corporate governance by portfolio companies driven by sound governance policies is in the best interests of their clients and will help to maximize the value of their investments.

Securities Exchange Board of India (SEBI) vide circular no. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 has made it mandatory for all categories of Mutual Funds (MF’s) and Alternative Investment Funds (AIF’s) to follow the Stewardship Code in relation to their investment in listed equities.

Through this stewardship policy the Investment Manager will be endeavoring to fulfill the said objectives as the purpose of the Stewardship Code is to enhance the monitoring of investment in listed equities, and engagement with, the investee companies to improve the Corporate Governance practices with a view to protect and enhance the long-term wealth of unitholders.

This Policy, effective from 1<sup>st</sup> April 2023, has been approved at the Partners Meeting of GPL held on 31<sup>st</sup> March 2023. Any material changes in the policy will also be approved at the Partners meeting of GPL and will be effective only post the approval of the changes.

### **Objective**

The objective of the policy is to make GPL recognize its stewardship responsibilities and regularly review the activities of the Investment Team. This Policy sets out principles as per the Guidelines on Stewardship Code for Investors issued by SEBI, which covers the framework and various processes that need to be followed for discharging Stewardship responsibilities and constitutes the disclosure and reporting requirements by GPL in Objective.

**Compliance with the Stewardship Code:**

**Principle 1 – Stewardship Responsibilities**

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.

Stewardship activities on behalf of the Fund shall be undertaken by the Investment Team of GPL, which shall be responsible to ensure implementation of the Stewardship Code duly approved at the Partners Meeting. Investment Team will seek guidance from Investment Committee with respect to fulfilling the Stewardship Responsibilities. The Investment Committee shall be responsible for monitoring implementation of the Stewardship Code. The Investment team shall also be responsible for identifying situations which may give rise to a conflict of interest

The Compliance Team shall be responsible for disclosures pertaining to stewardship activities including voting reports at a frequency stated under various SEBI circulars. The Compliance 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, has been identified.

GPL as part of its investment portfolio is likely to invest in listed equities/securities of various investee companies to enhance the portfolio returns and diversify its investments. This policy aims to define the minimum levels of engagement required to be maintained with the investee companies. The engagement will be inclusive of and not restricted to:

- Strategy and Performance of the investee companies (operational, financial, etc.)
- Industry-level monitoring and possible impact on the investee companies
- Corporate Governance matters, merger/acquisition, other corporate restructuring;
- Changes in capital structure, including increases and decreases of capital, preferred stock issuances, buy-back, dividend etc.;
- Stock Option Plans and Other Managerial Compensation issues;
- Appointment and Removal of Directors, Statutory Auditors etc;
- Any other issue that may affect the interest of Shareholders.

Stewardship responsibilities shall be discharged through:

- a) using resources, rights and influence available at their disposal;
- b) Attending investor calls and general meetings
- c) endeavoring to have detailed discussions with the management and interactions with the investee company managements and boards;
- d) voting on board or shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- e) advocating for responsible corporate governance practices, as a driver of value creation; and
- f) Intervening on material ESG opportunities or risks in the AIF's investee companies.

This policy on Stewardship responsibilities will be uploaded on the website of GPL and will be reviewed on annual basis.

GPL may use the services of institutional advisors to assist. The services of external agency may or may not be availed but the responsibility for steward activities shall lie with GPL only.

## **Principle 2 – Managing conflict of Interest**

GPL maintains and operates effective organizational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest.

Conflict of interest may arise in relation to the various activities carried out by contributors/unitholders, the Trustee, the Investment Manager or its Partners (collectively, the ‘**Interested Parties**’) vis-a-vis the activities of the AIF..

Identifying conflict of interest: While dealing with investee companies, the Investment Manager may be faced with various conflict of interest situations. Given below are a few instances where conflict of interest may arise:

1. The investee company is an associate of the Investment Manager;
2. The investee company is also an institutional client of the Investment Manager;
3. The Investment Manager is a lender to the investee company;
4. The investee company is a partner or holds an interest, in the overall business or is a distributor for the Investment Manager;
5. The Investment Manager and the investee company are part of same group;
6. A director or a key managerial person of the Investment Manager has a personal interest in the investee company

GPL has adopted policies and procedures intended to protect the interest of the Investors in the AIF against any adverse consequences arising from potential conflicts of interest. GPL will continue to review all Stewardship Responsibilities and perform its duties in a responsible manner keeping in mind the best interests of unit holders, in line with the regulatory requirement

Specific cases may be referred to the Investment committee, which will help in resolving any such conflicts in the best interest of unitholders.

All Investment Committee members and Investment team members involved in Managing the investment portfolio and in implementing the stewardship code will strive to avoid conflict of interest. Following are the approaches of managing conflict of interest:

- a) Frame guidelines for dealing with conflict of interest.
- b) investment decisions pertaining to the schemes of AIF should be in accordance with the investment objectives of the relevant schemes
- c) Investment of schemes assets in associates should be at arm’s length, with proper rationale, within necessary regulatory limits and approvals, if any, required under the regulations
- d) Compliance department should maintain conflict of interest database and the investment team will co-ordinate with compliance department for reviewing the potential conflict while making investment decision.
- e) On an annual basis, every employee, officer and partner of the AIF must submit a securities statement setting out the details of the securities of listed companies and unlisted companies held by him/her (including the securities held by his/her immediate relative) as per insider trading Code of Conduct of the Company.
- f) Rationale for voting on each shareholder resolution shall be recorded in the internal records.
- g) A clear segregation between the investment teams, voting functions and the Business Team shall be maintained.
- h) Business level conflicts shall be resolved on a case to case basis after factoring the relevant considerations.
- i) Conflicted employees, partners and officers will not be allowed to participate in the discussions and voting decisions / transactions in which they are interested.

### **Principle 3 – Monitoring Investee Companies**

The investment team carries out financial analysis of the investee companies, engages with the senior management/investor relations officials or any other management personnel/promoters of the investee companies as part of the research process that could lead to an investment in an investee company and once investment is made, the investment team continues to monitor each investee company.

Monitoring of investee companies is done with the aim of enhancing the medium-to long-term corporate value, capital efficiency and supporting the sustainable growth.

A variety of factors, including non-financial ones are considered as relevant. Factors may include, for example, governance, strategy, performance, fundamentals, capital structure, and risk management (including how the companies address risks arising from social and environmental matters) of the investee companies. Investment team endeavor to identify at an early stage issues that may result in a material loss in the value of investee companies

Investment team follows different levels of monitoring for different investee companies, areas of monitoring, mechanism for monitoring, etc. It specifically identifies situations where they do not wish to be actively get involved with the investee companies e.g. in case of Investment below one crore.

Different levels of monitoring in different investee companies. E.g. companies where larger investments are made may involve higher levels of monitoring vis-à-vis companies where amount invested is insignificant from the point of view of its assets under management.

Areas of monitoring which shall, inter-alia, include:

- a. AIF strategy and performance - operational, financial etc.
- b. Industry-level monitoring and possible impact on the investee companies.
- c. Quality of company management, board, leadership etc.
- d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
- e. Risks, including Environmental, Social and Governance (ESG) risks
- f. Shareholder rights, their grievances etc.

For the said monitoring process Investment Team will use publicly available information, and may be carried out through a combination of following -

- a) Interaction with Management through meetings, calls or emails.
- b) Preparation of periodic notes on the Companies.
- c) Information available in public domain.

GPL shall make timely and adequate disclosure to investors and concerned authorities as per the provisions of SEBI (AIF) Regulations for Alternative Investment Funds as may be required from time to time.

The investment management team or the research analyst should keep in mind the Prohibition on Insider Trading policy and SEBI (Prohibition on Insider Trading) Regulations, 2015 on insider trading while seeking information from the investee companies for the purpose of monitoring.

#### **Principle 4 – Intervention in Investee Companies and Collaboration with Institutional Investors**

GPL may intervene on case-to-case basis if it feels that its intervention is required to protect the interest of the contributors/unitholders. Such intervention may be on standalone basis or along with collaboration with other institutional investors.

Decision on active intervention, as detailed below, would be taken by the Investment Committee in respect of the investee companies. In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless there are other factors which warrant intervention.

In case of issues of serious nature, the Investment Committee may decide, for rationale to be recorded in writing, to intervene in respect of investments less than one crore.

The hierarchy of intervention is outlined as below:

**Communicate** – The Investment team shall communicate to the investee company’s management about any concerns of the company including steps to be taken to mitigate such concerns by the Investee Company management..

**Discussions** - If concerns regarding an investee company’s approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis with a view to resolve the issue constructively and where possible as part of the fund manager’s ongoing dialogue. If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, GPL may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings.

**Escalation** – If dissatisfied with the progress, GPL will proceed to escalate the matter further first by communication to the Managing Director and/or Chairman of the investee company, and thereafter to the Board of Directors of the investee company.

**Reporting to regulators/authorities** - Despite escalation, if there is no response or action taken by Investee Company, the Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required.

GPL decision to engage is a result of a number of factors. Those companies in whom a significant investment is held and in which the fund manager intends to maintain a holding for the long-term are considered high priority engagements, together with those where a reasonable probability is believed that the investee company’s management team will enter into constructive dialogue with us. In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions should be conducted in private and confidential manner.

#### **Principle 5 – Policy on Voting**

GPL is duty bound to protect and enhance the wealth of its contributors/unitholders and to improve governance of the investee companies, GPL’s voting decisions in the investee companies are taken after an in-depth, detailed analysis and fact finding. We have a comprehensive voting policy which includes details of mechanisms of voting, circumstances in which voting should be for/ against/ abstain, disclosure of voting, etc.

GPL voting policy inter-alia includes:

1. Mechanisms of voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)

2. Voting Guidelines
3. Disclosures of voting etc.

**Matters generally coming up for voting:**

The Investment Manager will make following disclosure to investor in respect of voting exercised by it:

- a. Details of actual voting for every proposed resolution in investee companies i.e. *For, Against or Abstain*
- b. Rationale for voting

**Manner of disclosure:**

**Alternative Investment Fund (AIF)**

- a. Disclosed in the Annual Report of the Schemes
- b. Quarterly disclosure on the website

**Principle 6 – Reporting**

The Investment Manager will report to their investors/ beneficiaries periodically on how it has fulfilled its stewardship responsibilities in an easy-to-understand format.

The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the Fund to sell a holding when it is in the best interest of the investors/beneficiaries.

GPL shall report to its contributors/unitholders periodically on its stewardship activities in the following manner:

- a) A report may be placed on website on the implementation of every principle.
- b) Different principles may be disclosed with different periodicities. E.g. Voting may be disclosed on a quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis.
- c) Any updation of policy on the website be done as and when policy is updated.
- d) The report may also be sent as a part of the annual intimation to our beneficiaries.

**Ownership**

The policy is owned by the Investment Team of GPL, which would monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose. Investment Team will provide its decisions and recommendations (along with supporting documents) to Investment Committee on timely basis, on the stewardship related issues referred to them.