



# **STEWARDSHIP POLICY**

*Of*

**Holani Venture Capital Fund – I**

**(A scheme of Holani Venture Capital Fund)**

**Effective Date: April,30 2024**

**Version 1.0**

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## 1. BACKGROUND

Securities and Exchange Board of India (SEBI) vide circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019 prescribed Stewardship Principles to be adopted and implemented by the AIF Funds in relation to their investment in listed equities. Accordingly, this Stewardship Policy was approved by The Board of Holani Capital Advisors LLP shall be effective from April 17, 2024.

## 2. OBJECTIVE AND APPLICABILITY

We, Holani Capital Advisors LLP (HCA LLP) is the investment manager for HOLANI VENTURE CAPITAL FUND – 1 (scheme), consider our research and investment activities as integral part of our investment process. Our investment approach emphasizes collaborative dialogue with investee companies, ensuring effective governance and driving value creation through a shared commitment to sustainable growth.

We are fully committed to upholding our fiduciary duties in all of our activities. Our top priority is to act in the best interests of our unit-holders, ensuring that their needs are met with the utmost professionalism, integrity, and diligence. We continuously strive to deliver superior value and safeguard their investments to the best of our abilities.

As a responsible asset manager, we will continue to enhance our capabilities necessary for carrying our stewardship responsibilities and intends to contribute to the development of Indian economy and society through this approach.

This Stewardship Policy applies to investment for all AIF fund schemes in listed equities.

## 3. STEWARDSHIP PRINCIPLES

**3.1. Principle 1:** Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

### Primary Stewardship Responsibilities

Our primary stewardship responsibly:

*Monitor and actively engage with investee companies on various matters including performance, corporate governance, material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.*

### Discharge of Stewardship Responsibilities

We have formulated the following policies to fulfil our stewardship responsibilities in the equity investment process:

1. **Insight and Engagement:** We strive to gain deeper insights into corporate strategies through discussions with management, board interactions, and participation in shareholder

meetings.

2. **Value Enhancement:** We work to enhance unit-holder value by actively monitoring and engaging with investee companies on key issues, including performance, strategy, governance, and material ESG matters.
3. **Responsible Dialogue:** As responsible investors, we engage in constructive dialogue with investee companies, believing that these discussions foster corporate value and benefit both unit-holders and the companies.
4. **Governance Considerations:** We factor in corporate governance practices when making buy or sell decisions for investee companies.
5. **Voting and Value Creation:** We exercise our voting rights in shareholder resolutions, in line with our approved voting policy, to support value creation for both investors and investee companies.
6. **ESG Monitoring and Action:** We regularly monitor and take action on material ESG opportunities and risks within investee companies.
7. **Training and Development:** We ensure that personnel involved in stewardship activities receive adequate training.
8. **Policy Review and Transparency:** We periodically review and update our stewardship policy, ensuring it remains current and accessible on our website.

### **Oversight of Stewardship Responsibilities**

Stewardship activities will be overseen by the Investment Committee. The Investment Team will establish a threshold for exposure to an Investee Company, beyond which actions under this policy will be considered. However, the Investment Team may intervene in cases where the exposure is below the threshold, depending on the severity of the issue. The Investment Committee may revise the threshold as necessary.

The threshold level can be amended by the Investment Committee as and when required and placed before the Board.

The Investment Committee may decide to avail the services of external agencies and mechanism for discharging stewardship responsibilities would be updated in the policy.

3.2. **Principle 2:** *Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.*

### **Managing Conflicts of Interest**

Conflict of interest' refers to situations where personal or financial interests may influence, or appear to influence, professional judgment. A conflict exists when the interests or benefits of HCA LLP (including its employees and partners) conflict with those of its unitholders or investee companies.

We have formulated the following policy regarding conflicts of interest in fulfilling our stewardship responsibilities:

**1. Avoidance of Conflicts of Interest:** Employees and personnel of the Investment Manager must take all reasonable measures to prevent actual or potential conflicts of interest.

If there is any uncertainty about whether a transaction may create, or could potentially create, a conflict of interest, they must seek guidance from the Compliance Officer.

**2. Identifying Conflict of Interest:** While dealing with investee companies, the Investment Manager may face situations where conflict of interest may arise, inter alia, in the following instances, where:

- HCA LLP and the investee company are part of the same group.
- Investee company being a group or associate company.
- Investee company is a client (unit-holder) of HVCF.
- Investee company has substantial / material business relationship with HCA LLP.
- The investee company is partner or holds an interest, in the overall business.
- The key managerial person of Investment Manager has a personal interest in the investee company.
- HCA LLP (including its employee or partner) is likely to make a financial gain, or avoid a loss, at the expense of unit holder or the investee company.
- Board approved personal securities trading policy covering access / designated employees / persons.

**Manner of managing conflict of interest:** The Company will manage conflicts of interest on the following principles:

- Avoid conflicts of interest where possible and keep the Investor's interest above.
- Identify and disclose any conflicts of interest and conflicted part not to take part of decision making.
- Employees may be restricted to trade in any of the Portfolio Companies wherein the AIF has made the investment.
- Clear segregation of voting function and client relations/ sales functions.
- Policy for persons to recuse from decision making in case of the person having any actual/ potential conflict of interest in the transaction.
- Maintenance of records of minutes of decisions taken to address such conflicts.

Further the matters pertaining to conflict will also be reviewed in accordance with the conflict policy of the Company including the deliberation by the Conflict Management Committee. Once the conflict of interest has been appropriately disclosed, the Compliance Officer will take the required decisions.

The above list includes, but is not limited to, situations where conflicts of interest may arise. In any other instances where a conflict of interest may occur, all stakeholders must follow the conflict management procedures set forth in this policy.

**3.3. Principle 3:** Institutional investors should monitor their investee companies.

## Monitoring of Investee Companies

The Fund Manager is responsible for monitoring all investee companies in the HVCF portfolio, applying different monitoring levels and methods as needed. In some cases, such as with small investments, the Fund Manager may not engage actively with certain companies. Monitoring will rely on publicly available data, management meetings, sell-side research, and industry information.

While the aim is to meet with each investee company annually, monitoring may be conducted through alternative sources if management is inaccessible or no new information is provided. Monitoring will focus on strategy, financial performance, governance, capital structure, and key risks, with areas like succession planning, remuneration, and environmental issues monitored on a best-effort basis.

**Manner of Monitoring:** We have formulated the following policies regarding monitoring of investee companies in fulfilling our stewardship responsibilities:

- 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.
- Company strategy and performance – operational, financial, capital allocation decisions like capacity expansions or mergers and acquisitions, etc.
- Industry-level monitoring and possible impact on the investee companies.
- Quality of company management, board of directors, leadership, etc.
- Corporate Governance including remuneration, structure of the board, related party transactions etc.
- Risks, including Environmental, Social and Governance (ESG) risks.
- Shareholder rights, their grievances, etc.

In taking collaborative action HCA LLP would be cognizant of legal and regulatory requirements, including on market abuse, insider trading and other related regulations and / or internal policies.

3.4. **Principle 4:** Institutional investors should have clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interest of the ultimate investors, which should be disclosed.

### Active Intervention in Investee Companies

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, corporate social responsibility, environment and social matters.

We have formulated the following policies regarding intervention and escalation in investee companies in fulfilling our stewardship responsibilities:

The intervention will be in four stages as follows:

1. Initial engagement with the company's management to convey the concerned issues and actions needed to mitigate the same.
2. Re-engagement in the event of lack of any response to initial engagement or the preventive action taken by the investee company are not up to the mark, at this juncture a time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.
3. Escalation to the Chief Investment Officer in case of no progress following the first two engagements. The Chief Investment Officer may decide to either engage with the Board of the Investee Company or discuss the issues at the shareholders meeting of the investee company.
4. Reporting to regulators: if there is no response or action taken by the investee company despite the first three steps, HVCF thru HCA LLP may escalate the matter to the relevant authorities or may choose to initiate legal actions based on the case. In all cases of engagement with the management and / or the Board of Directors of an investee company, all communications and discussions are to be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the unit-holders.

Intervention will be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.

In case the intervention is not successful (either fully or partially), it will not automatically result in the AIF being required to exit its investment in the investee company. The research team, under the direction of the stewardship committee will take a decision based on then existing environment and expectations.

### **Collaboration with other Institutional Investors**

HCA LLP may choose to engage with the investee company through consultations with other institutional investors as for issues that require larger engagement with the investee company. In circumstances where the HCA LLP approach to engage with management of investee company is not achieving the required level of discussion or success or where policyholders' interests are at risk to a sufficient degree, HCA LLP may act in conjunction with other investors. For such situations, other investors or formal or informal groups, as appropriate, may be consulted.

The decision to collaborate on company specific matters will be judged on a case-by-case basis and only when we believe collaborative actions would be an effective means by which investors can exercise appropriate influence.

HCA LLP shall also, where permitted, collaborate with other shareholders, professional associations and / or regulators such as SEBI, to solicit views.

An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.

When HCA LLP will have reasons to believe that collaborative action would be an effective means by which investors can exercise appropriate influence, HCA LLP will willingly initiate action or support other investors' actions.

In taking collaborative action HCA LLP would be cognizant of legal and regulatory requirements, including on market abuse, insider trading and other related regulations and / or internal policies.

**3.5. Principle 5:** *Institutional investors should have clear policy on voting and disclosure of voting activity.*

**Voting and Disclosure of Voting Activity**

The Fund's investment approach focuses on investing in companies with strong management, adherence to corporate governance standards, and sound fundamentals. As such, the investment team/ Chief Investment Officer typically supports management on routine matters. However, when the investment team believes that the interest of the shareholders of an investee company will be prejudiced by any proposal, then the investment team/ Chief Investment Officer will attend and/or vote against such proposal.

The investment team will review all voting proposals and will ensure that non-routine items such as change in the state of incorporation, merger and other corporate restructuring, change in capital structure, stock options, appointment and removal of directors, etc. are identified and voted in the manner designed to maximize value to the unit holders. Exceptionally, for such matters, the investment team may also decide to abstain from voting where it has insufficient information or doesn't have a clear stance on the proposal or it feels the presented resolution is unlikely to have a material impact on unit holder value or there is a conflict of interest.

The investment team therefore may act as the relevant facts and circumstances so warrant. Hence, the investment team may deviate from this Policy when it determines that the deviation is necessary to protect the interests of the unit holders.

**Mechanism of Voting**

The AIF holds the right to exercise voting rights attached to the units of an investee company. Unit-holders are not required to be physically present at the investee company's AGM or EGM to vote. Voting can be done through e-voting platforms like NSDL or CDSL, or by appointing a proxy.

**Voting Procedure**

The investment team's decision on unit-holder resolutions will be implemented through e-voting, physical attendance at the meeting, or by voting via proxy. If e-voting is not available or cannot



be used, a representative from HCA LLP or an externally authorized agency will be delegated the responsibility to cast the vote in person.

### **Disclosure of Voting**

HCA LLP will disclose all voting done in respect of the Fund on annual basis to its investors within the timelines provided by SEBI. The disclosure will inter alia include:

- Meeting Date
- Name of the company
- Type of Meetings (AGM/EGM)
- Proposal's Description
- Vote (For/ Against/ Abstain)
- Brief Reason supporting the vote decision.

### **Use of Services of voting advisor**

HCA LLP will use its discretion to avail of the services of a proxy advisor, if it deems necessary, to aid in arriving at a decision for voting. However, the investment team will not be bound by the proxy advisor's recommendations, and they are permitted to use their discretion whether to rely and/or act on the suggestions / recommendations given by such proxy advisors.

**3.6. Principle 6:** *Institutional investors should report periodically on their stewardship activities.*

### **Periodic Reporting on Stewardship Activities**

Institutional investors shall report periodically on their stewardship activities to their clients/beneficiaries in the following manner:

- A report may be placed on a website regarding the implementation of every principle. Different principles may also be disclosed with different periodicities. Any update of this policy may be disclosed as and when done; and
- The report may also be sent as a part of annual intimation to the Fund's clients / beneficiaries. Furthermore, a report of the stewardship activities as outlined in this document shall be prepared and shared once a year with the Fund's beneficiaries.
- The Policy shall be reviewed every year and shall be updated as necessary and shall be placed before the Board of HCA LLP for its approval.
- The Policy shall be disclosed on the website of AIF for the information of the unit-holders.