

POLICY FOR EXERCISING VOTING RIGHTS IN RESPECT OF SHARES HELD BY SCHEME(S) OF ALTERNATIVE INVESTMENT FUNDS MANAGED BY IIFL ASSET MANAGEMENT LIMITED

Objective & Background:

The Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019 (SEBI Circular) has prescribed stewardship principles to be adopted and implemented by all Mutual Funds (MF) and all categories of Alternative Investment Funds (AIF).

IIFL Asset Management Ltd (IIFL AMC) as an Investment Manager to IIFL Venture Fund (A Category I- Alternative Investment Fund), IIFL Private Equity Fund (A Category II – Alternative Investment Fund) and IIFL Opportunities Fund (A Category III – Alternative Investment Fund) and invests in various securities as per the Investment Objectives of the respective Schemes.

IIFL AMC has adopted the Stewardship Code (“the Code”) which lays down the principles and guidelines to monitor and engage with the investee companies on various matters including performance, strategy, corporate governance, material environmental, social and governance (ESG) opportunities and risk, capital structure and exercising voting rights on shareholder resolutions of Investee companies. The fifth principle provides the requirement for disclosure of the policy and procedure, for exercising the voting rights in respect of shares held on behalf of the schemes on their website.

Pursuant to the aforesaid SEBI circular and the Code adopted by IIFL AMC has set out this Policy for exercising voting in respect of shares held by Schemes (‘Voting Policy’). The Voting Policy contains the principles that form the basis for exercising the voting rights attached to shares in which Schemes have invested and the processes that would be followed by IIFL AMC towards exercising said voting rights.

Objective underlying voting exercise:

While deciding on exercising a vote, IIFL AMC’s objective would be:

1. To support such proposals that tend to maximise shareholders’ value and in turn value of unit holders;
2. To signal dissent to proposals that favour promoters / dominant shareholders at the expense of other (minority)shareholders;
3. To ensure that the decision to cast a vote is not influenced by conflict of interest;

Guidelines for exercising a vote:

Specific decision on a particular resolution i.e. to support, oppose or abstain from voting, shall be taken on a case-to case basis considering potential impact of the vote on shareholder value and interests of the unitholders of the Schemes at large. IIFL AMC may also at its discretion choose to abstain from participating in any resolution and hold a neutral stance, should the concerning issue be of no major relevance for the shareholder value and/or unitholder interest.

The general guidelines which the IIFL AMC would follow while evaluating voting decisions are as follows:

1. AMC shall support changes to the capital structure which appear to give better returns on capital employed and in the long-term interest of the shareholders.

2. Votes on key decisions concerning fundamental corporate changes, extraordinary transactions, key corporate governance decisions, shall be decided on the case to case basis in the long term interest of the Unit holders.
3. AMC shall support proposals for employee stock option plans which appear to have been designed for creating employee ownership culture which in turn would enable better employee participation and value creation:
4. The AMC shall generally support the proposal for appoint of independent directors as proposed by Board of Directors of the Company and generally support proposals that strengthen the independence of the Board of Directors.
5. Other proposal submitted to shareholders related to selection of the auditors, amendments to the company's charter or by-laws and Issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, would be addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value

Decision Making Process: The decision regarding the voting on the resolutions of the Investee companies, i.e. whether IIFL AMC will vote for or against the resolution or refrain from voting shall be taken by any two members of the Investment Stewardship Committee (ISC). IIFL AMC may consult and consider the inputs from external agencies to arrive at the decision, if so required. The voting rights on behalf of the Scheme(s) will be submitted by any member of Investment Team, Product Team, Operations team or Representative of an externally authorized agency such as the Custodian as authorised by the CEO.

Conflict of Interest: When considering investments in Group Companies / Company(ies) that have subscribed to the Units of the Schemes of Alternative Investment Funds, IIFL AMC inter alia will ensure that (a) investments in such companies are not restricted by the Scheme specified Investment Objective/ Asset allocation / Investment Restrictions; (b) such transactions are for pure commercial consideration; after having evaluated the same on merits; (c) such transactions are at arm's length with no consideration of any existing / consequent investments by an Investor/group of investors.

However, if, in the opinion of ISC is highly conflicted in any particular resolution, the ISC may refrain from voting in such a case.

Policy for Schemes which are passively managed including Index and Equity ETF schemes: Index and Equity ETF Scheme(s) follow a passive investment strategy, with investment objective to replicate the constituents of the benchmark index, in the same proportion as in the Index. The constituents of the said benchmark(s) index are determined by the Index service provider(s), basis their internal policies and parameters. Index and Equity ETF schemes just replicate the Index, by entering into basket trades of the said constituents, with Fund Manager not undertaking any active research or call on the individual stocks forming part of the Index. As any actions of the Companies forming part of the portfolio of Scheme(s) is not actively research and tracked, the ISC would generally abstain from voting on any matters of such Companies.

Disclosures: The actual exercise of the proxy votes in the AGMs/EGMs of the investee companies shall be disclosed to the Unit Holders and on the Website of the AMC in respect of following matters:

- a. Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions;
- b. Changes to capital structure, including increases and decreases of capital and preferred stock issuances;
- c. Stock option plans and other management compensation issues;

- d. Social and corporate responsibility issues;
- e. Appointment and Removal of Directors; and
- f. Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.