

## **Stewardship Policy - AIF**

**Lumis Labs Fund:** Registered with SEBI as a Category II Alternative Investment Fund  
(Registration No. IN/AIF2/21-22/0952)

**Trustee:** Orbis Trusteeship Services Private Limited

**Sponsor:** Agarsha Investment Manager Private Limited

**Investment Manager:** Lumis Labs Investment Manager Private Limited

Version Control:

Version	Reviewer	Approval	Date
Version 1	Compliance Officer	Board of IM	06.05.2023
Version 2	Compliance Officer	Board of IM	15.12.2023

*Agarsha*

## 1. Introduction:

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 in relation to their investment in listed securities. This Policy shall be effective from 15<sup>th</sup> December, 2023.

At Lumis Labs Fund (LLF), we consider our research and investment activities as integral part of our investment process. We believe fruitful dialogue with Investee Companies leads to higher corporate governance which ultimately becomes an act of value co-creation between the investors and Investee Companies.

In all our activities, we always fulfill our fiduciary duties and always strive to serve our investors interest to the best of our capabilities. This Stewardship Policy (Policy) applies to investment by all schemes of LLF in listed securities directly. The term "Investee Company(ies)" used in this Policy shall refer to such listed companies where the schemes of LLF invest directly. It is hereby clarified that schemes of LLF that are a fund of fund shall not attract the application of this Policy in respect of investments in any listed securities by an underlying fund of a scheme of LLF. The application of this Policy shall at all times be subject to the dealing strategies of the schemes of LLF as decided by the respective investment teams keeping in mind the investment objectives of each scheme.

## 2. Stewardship Principles

Principle 1: AIF should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically. Our primary stewardship responsibilities include:

- ✓ Monitor and actively engage with Investee Companies on various matters including performance (operational, financial etc.), corporate governance, material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.
- ✓ Enhance investor value through constructive engagement with Investee Companies.
- ✓ Vote in the Board and Shareholders meetings and engage with Investee Companies with a view to enhance value creation for investor and Investee Companies.
- ✓ Accountable to investor within the parameters of professional confidentiality and regulatory regime.

At LLF, we have formulated the following policies to fulfill our stewardship responsibilities in the investment process:



- ✓ Our emphasis on “dialogue with Investee Companies” is at the center of the AIF investment process.
- ✓ LLF shall focus on obtaining deeper insight and understanding corporate strategies, through detailed discussions with Management, interaction with boards, voting in board or shareholders meetings, etc.
- ✓ LLF shall enhance investor value through regular monitoring and active engagement with Investee Companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) matters, capital structure, etc.
- ✓ LLF shall express our opinion as a responsible investor and exchange opinions in “dialogue with Investee Companies”, which we believe create corporate value, resulting in benefits for both our investor and Investee Companies.
- ✓ LLF shall take into consideration, the corporate governance practice of Investee Companies, when undertaking buy and sell decisions.
- ✓ LLF shall exercise voting on shareholders’ resolutions (as per our board approved voting policy), with a view to enhance value creation for shareholders / investors and Investee Companies.
- ✓ LLF shall advocate for responsible corporate governance practices, as a driver of value creation.
- ✓ LLF shall regularly monitor and intervene (wherever necessary) on material environmental, social and governance (ESG) opportunities or risks in Investee Companies.
- ✓ The LLF shall ensure adequate training to personnel engaged in implementation of these principles.
- ✓ LLF shall use resources, rights and influences at its disposal with a view to enhance value creation for shareholders/investors and Investee Companies.

The Stewardship Committee shall ensure implementation of stewardship principles and training to the respective team members on an ongoing basis. Minutes of the meeting of the Stewardship Committee shall be placed before LLF.

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





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

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of AIF (including its employee, officer or director) conflict with the interests or benefits of its investor or the Investee Companies.

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

- The Investee Company is a client of Investment Manager and/or its affiliates.
- In certain cases, wherein any affiliates of the Investment Manager are lender to the investee Company.
- The Investee Company is a seller whose products or services are important to the business of Investment Manager and/or its affiliates.
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Investment Manager and/or any of its affiliates.
- LLF and Investee Company are part of the same group or are associates.
- The investee company is a partner or holds an interest, in the overall business of LLF.
- A director or a key managerial person of Investment Manager has a personal interest in the investee company.
  - LLF (including its employee, officer, or director) is likely to make a financial gain, or avoid a loss, at the expense of unitholder or the investee company.

Above list is inclusive but not exhaustive list of situations where conflicts of interest may arise.

At LLF, we have formulated a detailed Conflict of Interest (COI) policy in fulfilling our stewardship responsibilities that include the identification, monitoring, avoiding, independent evaluation, and disclosure of COI, if any.

**Principle 3: AIF should monitor their Investee Companies.**

The Investment Manager will be responsible for monitoring all the Investee Companies the AIF invests in. The monitoring will be based on publicly available information, management meetings, research, and industry information.

While endeavor would be to ensure at least one meeting with an Investee Company in a year, there can be Investee Companies where the management is not accessible or not accessible at appropriate levels or cases where the research team believes that there is no incremental information which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.

Monitoring will include but need not be restricted to strategy and business outlook, financial performance, management evaluation and corporate governance issues,





capital structure and key risk areas. Monitoring in areas like succession planning, remuneration, environmental issues will be on a best effort basis.

At LLF, we have formulated the following policies regarding monitoring of Investee Companies in fulfilling our stewardship responsibilities:

- ✓ Investment Manager will be responsible for monitoring of the Investee Company's business strategy, performance, risk, capital structure, leadership effectiveness and succession planning, remuneration, corporate governance performance, cultural, social and environmental matters, shareholders' rights and grievances on a best effort basis.
- ✓ Research team may use publicly available information, sell side research and industry information and wherever possible shall engage with the Investee Companies' through investor analyst calls or analyst meet at least once in a year, to monitor the Investee Companies.
- ✓ Research team to the extent feasible shall meet the management teams / key managerial personnel of the Investee Company on a yearly basis and actively participate in investor meetings and general meetings held by the Investee Company (to which it is invited), through webcast, conference call or other mechanism when possible, which will provide for higher participant / engagement.
- ✓ Where the Investee Company's management is not accessible or not accessible at appropriate levels or cases where the research team believes that there is no incremental information which is being provided by the management of the Investee Company, monitoring will be done through other sources (e.g., third party research, proxy advisory services, etc.).
- ✓ While dealing with Investee Companies, LLF's endeavour is not to seek any unpublished price sensitive information ('UPSI')/material non-public information ('MNPI') and it will rely on publicly available information/disclosure to the stock exchanges. However, if LLF is in receipt of UPSI or MNPI, then it will avoid acting based on such information.
- ✓ Investment Manager, in consultation with the investment committee of the specific scheme of LLF ("Investment Committee"), may identify situations where active engagement with the Investee Companies may not be necessitated especially if investment is insignificant.
- ✓ In case of Investee Companies where larger investments are made, LLF may employ higher level of monitoring.
- ✓ Research team shall strictly adhere to regulations and internal policies on prohibition of insider trading while seeking while seeking information from Investee Companies (and any other source) for the purpose of monitoring.



**Principle 4: AIF should have clear policy on intervention in their 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.

At LLF, we have formulated the following policies regarding intervention and escalation in Investee Companies in fulfilling our stewardship responsibilities:

- ✓ LLF shall intervene in the acts/omissions of the Investee Company, where in the opinion of AIF any act/omission of the Investee Company is considered material on a case to case basis, including but not limited to insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/strategy, CSR and environment, or any other related matters.
- ✓ The decision for intervention shall be decided by the Stewardship Committee on a case to case basis based on all available facts of the Investee Company at that point of time. AIF may consider intervening in matters, if in the reasonable opinion of the Stewardship Committee; the issue involved may adversely impact the overall corporate governance atmosphere or AIF in the interest of the investor.
- ✓ Research team shall take all reasonable steps to engage with the Investee Company's management to resolve any concerns including steps to be taken to mitigate such concerns. In the event the management of the Investee Company fails to undertake constructive steps to resolve the concerns raised by investment team within a reasonable timeframe, research team shall take all reasonable steps to re-engage with the management to resolve concerns.
- ✓ In case there is no progress despite the first two steps, research team shall escalate the matter to the Stewardship Committee. If the Stewardship Committee decides to escalate, research team shall engage with the board of the Investee Company (through a formal written communication) and elaborate on the concerns. Research team may also consider discussing the issues at the general meeting of the Investee Company (either called by the Investee Company or requisitioned by AIF).
- ✓ If there is no response or action taken by the Investee Company despite intervention, engagement (including re-engagement) and escalation by the AIF, then AIF may approach the relevant authorities such as SEBI / RBI / AMFI / IRDA / CLB / etc.

In all cases of engagement with the management and / or the board of directors of an Investee Company, all communications and discussions shall 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 investor.

In case LLF's intervention is not successful (either fully or partially), it will not automatically result in LLF deciding 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.

AIF 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.

In circumstances where AIF approach to engaging management of Investee Companies is not achieving the required level of discussion or success, or when shareholder value is at risk to a sufficient degree, AIF may undertake collective action, subject to it being in the best interest of our investor and there being no legal or regulatory obligation prohibiting us from so acting.

AIF may consult with other institutional investors or with other formal or informal groups as appropriate. The decision to collaborate with other institutional investors on specific matters will be judged on a case by case basis by the research team in consultation with the Stewardship Committee.

At LLF, we have formulated the following policies regarding collaboration with other institutional investors in fulfilling our stewardship responsibilities:

- ✓ LLF shall consider collective engagement with other institutional investors on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and / or a better response from the Investee Company.
- ✓ LLF may approach, or may be approached by, other asset managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the Investee Companies to address specific concerns.

LLF shall also, where permitted, collaborate with other shareholders, professional associations and / or regulators such as AMFI, SEBI, IRDA, Pension Fund Regulatory and Development Authority and other policy makers to solicit views.

- ✓ An illustrative list of matters which require collaborative engagement may include appointment or removal of Directors, key managerial personnel, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders, and related party transactions.
- ✓ AIF shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.



- ✓ When AIF will have reasons to believe that collaborative action would be an effective means by which investors can exercise appropriate influence, AIF will willingly initiate action or support other investors' actions.
- ✓ In taking collaborative action AIF would be cognizant of legal and regulatory requirements, including on market abuse, insider trading and other related regulations and / or internal policies.
- ✓ LLF understands that the compliance with the above-mentioned principles does not constitute an invitation to manage the affairs of the Investee Company.

Principle 5: AIF should have clear policy on voting and disclosure of voting activity.

#### Voting and Disclosure of Voting activity

To protect and enhance the wealth of investors and to improve governance of the Investee Companies, at LLF we take our own voting decisions in the Investee Companies after in-depth analysis. We consider the exercise of proxy voting rights as one form of "dialogue with Investee Companies" to fulfill our stewardship responsibilities. We make decisions regarding exercising proxy voting rights in accordance with the directions from LLF, following consultation with the Stewardship Committee.

The general directions from LLF on Proxy Voting Policy shall provide:

- ✓ The mechanism of voting & guidelines on how to vote on certain specific matters / circumstances including list of such possible matters / circumstances and factors to be considered for a decision to vote for / against / abstain.
- ✓ Constitution of proxy voting committee.
- ✓ Details of proxy advisory services which we use along with their scope and extent to which we rely upon / use recommendations made by them.
- ✓ Guidelines on matters related to conflicts of interest.
- ✓ Disclosure of voting for every proposed resolution in Investee Companies, i.e., for, against or abstain with rationale for voting and the manner and frequency of disclosure.

At LLF, we have formulated the following policies regarding voting and disclosure of voting activity in fulfilling our stewardship responsibilities:

- ✓ LLF will exercise its voting rights and vote on all shareholder resolutions of Investee Companies, as may be deemed necessary in the interest of investor.





- ✓ LLF will vote against resolutions which are not in the interest of investor and / or not consistent with our voting policy.
- ✓ While voting LLF will also consider several factors, including recommendations made by our empaneled proxy advisor.
- ✓ All voting decisions will be made in accordance with the directions from LLF on Proxy Voting Policy
- ✓ LLF will disclose on a quarterly basis all voting decisions for every proposed resolution in Investee Companies, i.e., for, against or abstain with rationale for voting decision

Principle 6: AIF should report periodically on their stewardship activities.

At LLF, we are committed to providing transparency on our stewardship and voting activities. We will report our stewardship activities periodically, as per the stewardship code prescribed by SEBI.

### 3. Stewardship Committee

LLF has constituted a Stewardship Committee. Compliance Officer and Chief Finance Officer designated by LLF, and the Directors of Investment Manager are members of the Stewardship Committee.

The Stewardship Committee will meet periodically, as circumstances dictate. Roles and responsibilities of the Stewardship Committee include, but not limited to:

- ✓ Ensure strict adherence and effective implementation of stewardship policy, proxy voting policy, and relevant regulations.
- ✓ Monitor the engagement of the equity research team with the Investee Companies.
- ✓ Ensure that all voting's are exercised as per the proxy voting policy, stewardship policy and relevant regulations.
- ✓ Monitor the services of external agencies in discharging stewardship responsibilities including the proxy voting advisory services.
- ✓ Ensure adequate training to personnel engaged in the implementation of stewardship principles.
- ✓ Ensure adequate and timely disclosures (including proxy voting) as per the stewardship policy.



- ✓ Make decisions pertaining to actual / potential conflicts of interest situations and ensure that AIF will always act in the best interest of the investor.
- ✓ Ensure that AIF will actively engage and intervene in a timely manner, wherever required, as per the stewardship policy.
- ✓ Make decision for escalations, reporting to regulators, collaboration with other institutional investors, etc.
- ✓ Review and recommend this stewardship policy for further approval to LLF.
- ✓ Ensure proper records are maintained as per regulation and internal policies.

#### **Annual Review of Stewardship Policy**

This Stewardship Policy shall be reviewed and updated at least annually or earlier, if required.

*Approved*