

CAPITALMIND ASSET MANAGEMENT PRIVATE LIMITED

Stewardship – Code

CAPITALMIND MUTUAL FUND

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Policy Administrator	:	Compliance Department
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Code Version Control

Sr No	Version Number	Version Date	Summary of changes
1	1	-	Formulation of the code in accordance with SEBI circulars

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1. Background

SEBI vide its circular no. CIR/CFD/CMDI/168/2019 dated December 24, 2019, along with SEBI Master Circular on Mutual Funds dated June 27, 2024 ("SEBI circulars"), mandates all Mutual Funds to formulate a "Stewardship Code" in relation to their investments in listed equities. SEBI has mandated all AMC's to have in place a Code based on the principles spelt out in the SEBI circular(s) to discharge its stewardship responsibilities.

As per the Risk Management Framework of SEBI Regulations, a key component of Governance Risk Management is for the AMC to adhere to the "Stewardship Code" prescribed by SEBI for mutual funds which inter alia includes continuous monitoring of the investee companies on various matters such as operational and financial performance, corporate governance, related party transactions, opportunities or risks including ESG risks, etc., bearing in mind the insider trading Regulation while seeking information from the investee company for the purpose of monitoring.

In terms of the above, we, Capitalmind Asset Management Private Limited ("the AMC"), the AMC to the schemes of Capitalmind Mutual Fund ("the Fund"), have formulated this code of Stewardship ("the Code").

2. Objective

- a. To set out the principles to be followed to protect the interest of the unitholders of the schemes of the Fund.
- b. To put in place process of monitoring of the Investee companies and voting on the resolutions
- c. To set guidelines for engagement with the managements of the Investee companies with significant holding;
- d. To set guidelines for identifying and managing conflicts of interest for prioritizing the interest of the Mutual Fund customers; and
- e. To state the manner of public disclosures and reporting thereto.

3. Responsibility

- a. Investment Team (Fund Managers and Analysts): The investment team is responsible for the ongoing monitoring of investee companies, engaging with their management where it deems necessary, and identifying situations that require intervention. They must also identify potential conflicts of interest and take necessary steps to address them. In cases requiring intervention or where

conflicts arise, the investment team may seek guidance from the Investment Committee ("IC") to ensure appropriate actions are taken, ensuring that the interests of stakeholders are safeguarded while maintaining effective oversight of the investee companies.

- b. The Compliance Team is responsible for ensuring disclosures related to stewardship activities, including the voting report, are made at the frequency prescribed by SEBI. Additionally, the team must maintain records of all voting activities and keep a list of investee companies where conflicts of interest, as defined within the Code, have been identified.
- c. The stewardship responsibility/ activities as mentioned in the code will be discharged on a best effort basis and to the extent possible.

4. Stewardship Code

4.1. Principle 1: Responsibilities

- a. Oversight of stewardship responsibilities shall be undertaken by the Investment Committee ("the IC") of the AMC.
- b. The IC shall be responsible for monitoring implementation of the Code duly approved by the Boards of the AMC and Capitalmind Trustee Pvt. Ltd. ("Trustee"). The Code shall be hosted on the website of the AMC.
- c. Responsibilities include taking any measures necessary, on a best effort basis, with investee companies on such matters as specified to ensure that the interest of the investors of the Schemes of Mutual Fund are protected.
- d. The services of external service providers such as institutional advisors may be used from time to time. Any such use of external service providers will be guided by the Outsourcing Policy.
- e. Training will be conducted at periodic intervals for the personnel involved in implementing the Stewardship principles. This may be done through an external agency or internal presentations including sharing of reading materials, holding internal meetings, etc.

f. Discharge of Stewardship Responsibilities:

The AMC shall discharge its stewardship responsibilities through:

- I. voting on shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- II. actively engaging 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) opportunities or risks, capital structure, etc;
- III. Having detailed discussions with management, interaction with investee company boards.

4.2. Principle 2: Managing conflicts of interest

- a. 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 the AMC (including its employee, officer or Director) conflict with the interests or benefits of its unitholders or the investee companies.
- b. The investment team will identify potential Conflicts of interest which may arise in certain situation, such as:
 - I. The Investee Company is a client of the AMC and/or its affiliates; in certain cases, wherein any affiliates of the AMC are lender to the Investee Company.
 - II. The Investee Company is a seller whose products or services are important to the business of the AMC and/or its affiliates.
 - III. The Investee Company is an entity participating in the distribution of investment products advised or administered by the AMC and/or any of its affiliates.
 - IV. The AMC and Investee Company are part of the same group or are associates.
 - V. The investee company is partner or holds a significant interest, in the overall business of the AMC.
 - VI. A director or a key managerial person of the AMC has a personal interest in the investee company.
- c. Any debate on the conflict-of-interest applicability shall be resolved by the Investment Committee.
- d. Addressing conflict of interest**
 - I. Blanket bans on investments in certain cases.
 - i. The decision on blanket bans would be taken as and when such cases arise.
 - II. Voting decisions will be guided by the approved voting policy, which is published on the AMC website.
 - III. There is a clear segregation of voting function and sales function / client relations.
 - IV. The Investment team will be responsible for voting on resolutions and will be guided by the voting policy for all resolutions.

- V. In the situation wherein the conflict of interest is not covered by the voting policy, decision on such instances will be taken on case-to-case basis by the Head of Equity/Debt and Fund Manager.
- VI. The AMC will maintain of records of minutes of decisions taken to address conflicts.
- e. The Investment Committee members and other personnel involved in implementing the stewardship code must disclose their personal interest in the investee company and not participate in the steward responsibilities of such investee company.

4.3. Principle 3: Monitoring of Investee Companies

- a. Investment teams led by the Head of Equity and Head of Debt shall be responsible for continuous monitoring all the investee companies in respect of all aspects the AMC considers important which shall include performance of the companies, corporate governance, strategy, risks etc.
- b. The Investment team may identify situations where active engagement with the investee companies may not be necessitated, especially when the size of the AMC's/scheme's investment is insignificant, etc. In case of the investee companies where larger investments are made, the AMC may involve higher levels of monitoring.
- c. The Investment team or its authorized personnel shall regularly monitor the Investee Companies in which it invests by analyzing public disclosures i.e. research reports, media reports, annual reports, other publicly available information, conference calls conducted by the management of the investee company, presentations sought from the companies on specific issues, and engagement with the executives of the companies.
- d. The investment team will be responsible for laying down the process for monitoring the investee companies. Such monitoring process will lay down criteria inter-alia, various levels for monitoring of the investee companies, areas to be monitored like financial performance, management/board evaluation, business outlook, corporate governance issues, capital structure, industry level changes, and key risk areas. Monitoring areas like remunerations, risk related to social & environmental issues, shareholder rights & grievances will be on a best effort basis.
- e. In case, any material risk is identified during the course of monitoring, the future course of action will be governed by the principle 4 laid in this code.
- f. It must be noted that the AMC does not wish to be made an insider in the Investee Companies.
- g. Manner of Monitoring:**
 - i. The Investment team shall strictly adhere regulations and internal policies on prohibition of insider trading while seeking information from

investee companies (and any other source) for the purpose of monitoring.

- II. However, in case of receipt of unpublished price sensitive information, we shall follow process specified in Prohibition of Insider Trading Policy governing the personal securities transaction of Employees, to ensure compliance with the applicable provisions of SEBI (Prohibition on Insider Trading) Regulations, 2015. All employees involved in engagement activities shall be given proper understanding on Insider Trading to fulfil requirement of Policies laid down.

4.4. Principle 4: Active Intervention in the Investee Company

Intervention and collaboration

- a. AMC shall not wish to be made an insider in the Investee Companies and hence will not be actively involved with the companies. The oversight by the AMC on the Investee Companies would be mainly for ensuring that the investment made by it in the companies on behalf of the unitholders is enhanced and protected, thereby increasing their wealth and in matters where conflict of interest needs to be resolved.
- b. The AMC shall intervene in the acts / omissions of an investee company in which it holds greater than 5% of the share capital of the investee company.
- c. The AMC shall also intervene in the acts / omissions of an investee company in which it holds greater than 5% of the AUM across all its scheme(s).
- d. In extenuating circumstances, which will be determined on an ad-hoc basis by the Investment team, will the AMC intervene even if the thresholds as per clause (b) and (c) are not met.
- e. If the AMC determines that any act or omission of the investee company is material (on a case-by-case basis), then it shall necessitate intervention. Such concerns may include, but are not limited to matters such as poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, remuneration and composition of the Board, material ESG issues, leadership issues, litigation, related party transactions, corporate plans/strategies, CSR, and any other related matters.
- f. The Investment team may as and when deem it necessary escalate the engagement/intervention on any particular issue with the investee company. The tactical aspects of the intervention will be determined on a case-to-case basis by the Investment team. The Investment Team may determine the level of intervention to ensure that the views of the AMC are represented.
- g. The hierarchy of intervention is outlined as below:**
 - I. First step: Interaction with the investee company, in a confidential manner, to resolve the issue constructively.

- II. Next step: Escalation – If dissatisfied with the progress through the first step above, the AMC will proceed to escalate the matter further first by communication to the Managing Director and/or Chairman of the investee company, and if necessary to the Board of Directors of the investee company.
- III. Final step: 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.
- IV. 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 unitholders.

g. Collaboration with other Institutional Investors:

Larger engagement with Investee Companies may be warranted in extraordinary circumstances like mergers and acquisitions, demergers, sale of assets / slump sale, disputes regarding succession planning, spiraling debt burden and third party or promoter related issues not in the interest of the company.

- I. In such an eventuality, the AMC may collaborate with institutional investors to take appropriate action in order to safeguard its investment and preserve the interest of the ultimate investors i.e. the unitholders.
- II. The collaboration with institutional investors might result in action like voting based on a broad understanding, engaging with key management personnel of the Investee Companies and escalating issues to regulatory and statutory authorities, if warranted.
- III. The AMC may also choose to involve AMFI or any other forums to engage with the Investee Company(ies), if appropriate.
- IV. In taking collaborative action the AMC would be cognizant of legal and regulatory requirements, including on market abuse, insider trading and other related regulations and / or internal policies.

4.5. Principle 5: Voting and disclosure of voting activity

Voting on Resolutions

- a. The voting shall be done by exercising independent judgement, acting in the best interest of unitholders. The AMC has put in place the Voting Policy which has been duly approved by the Board of the AMC and Trustees.

Disclosure of voting activity

- a. The AMC shall 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 on the website of the AMC.
- b. In case of use of proxy voting or other voting advisory services, disclosures will also be made on details of service providers, the scope of such services, and the extent to which the investors rely upon/use recommendations made by such services.

4.6. Principle 6: Reporting of Stewardship Activities

- a. The AMC shall periodically report stewardship activities on its website as per the format prescribed in Annexure A and review the activities at the following intervals.

Particulars	Frequency
Review of Stewardship Code	Annual
Review of policy on Conflict of Interest	Annual
Disclosure of voting activity	Quarterly
Auditor's certification on voting activity	Annual
Disclosure on voting activity and auditor's certificate in annual report to unitholders	Annual

- b. Compliance with this Code does not constitute an invitation to manage the affairs of an investee company or preclude a decision of the AMC to sell a holding when it is in the best interest of the investors.

5. Amendment to the Code

The Board of Directors of the AMC and Trustee shall have the right to amend, substitute or replace this Code from time to time taking into account any changes in the relevant Regulations. Prior approval of the Board of Directors of AMC and Trustee shall be obtained for any amendments in the Code, for reasons other than due to change(s) in the relevant Circular/Regulations.

6. Policy Disclosure

The latest version of the code should be publicly disclosed on the AMC's website.

7. Annual Review

The Policy shall be reviewed by the Investment Committee (IC) and placed before the Boards of the AMC and Trustee for their review annually.

8. Annexure A : Format for annual reporting of compliance status of Stewardship Code

Period of Report (FY):

Status of Compliance with Stewardship Principles:

Sr No.	Particulars of Stewardship Policy	Status (Complied, Partly complied, Not complied, Deviation)	Reason / Justification for Partially complied/ non-compliance or deviation