



**ROCKSTUD CAPITAL**

# **Rockstud Capital LLP**

**(Investment Manager to Rockstud Capital Investment Fund)**

## **Stewardship Policy**

**Version Control:**

Version	Reviewer	Approver	Approval date	Reason for review
1.0	Compliance Officer	Designated Partner	25 June 2020	New Document as required by SEBI Regulations

CONFIDENTIAL

## Contents

<b>I.</b>	<b>Background</b> .....	4
<b>II.</b>	<b>Objective</b> .....	4
<b>III.</b>	<b>Applicability</b> .....	4
<b>IV.</b>	<b>Effective Date</b> .....	4
<b>V.</b>	<b>Stewardship Principles</b> .....	5
a)	<b>Principle 1</b> - Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it, review and update it periodically. ....	5
b)	<b>Principle 2</b> - Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.....	5
c)	<b>Principle 3</b> - Institutional Investors should monitor their investee companies.....	6
d)	<b>Principle 4</b> - Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.....	7
e)	<b>Principle 5</b> - Institutional Investors should have a clear policy on voting and disclosure of voting activity. ....	8
f)	<b>Principle 6</b> - Institutional Investors should report periodically on their stewardship activities. ....	9

## **I. 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.

Rockstud Capital LLP (“**RC LLP**”), a limited liability partnership incorporated under the provisions of the Limited Liability Partnership Act, 2008 having its registered office at C-303, Marathon Nextgen Innova, Off G K Marg, Peninsula Corporate Park, Lower Parel (West) Mumbai, Maharashtra, 400013 India, acts as an **Investment Manager** to scheme(s) launched under Rockstud Capital Investment Fund (“**Trust**” OR RCIF), (Category II – Alternative Investment Fund).

Rockstud Capital Investment Fund-Series I (“**Fund**” OR RCIF-S1), is the first scheme of the Trust, which invests in listed equities in accordance with its investment objective and Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

## **II. Objective**

Stewardship aims to promote the long-term success of investee companies in a manner that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, asset managers, investors and enhances the quality of capital markets.

Accordingly, in accordance with SEBI circular CIR/CFD/CMD1/168/2019 dated December 24, 2019, this Policy sets out the framework and guidelines on discharge of the stewardship responsibilities of RC LLP and the process that RC LLP intends to follow in order to safeguard the interest of the clients / beneficiaries viz. Contributors / Unit holders of the Fund managed / to be managed by RC LLP.

## **III. Applicability**

This Policy shall apply only to investment in listed equities made by the Fund managed / to be managed by RC LLP. RC LLP shall carry out Stewardship activities for those listed portfolio company(s), where equity investments exceed 10% or more of its AUM.

## **IV. Effective Date**

This Policy shall come into effect from **July 01, 2020** as stipulated by SEBI vide circular SEBI/HO/CFD/CMD1/CIR/P/2020/55) dated March 30, 2020 and as approved by the Board / Authorised Partner of RC LLP as on June 25, 2020.

## V. Stewardship Principles

The Stewardship Policy shall act as guidance to the investment team for discharging the stewardship responsibilities and is formulated based on the stewardship principles laid down by the SEBI as follows:

- a) **Principle 1** - Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it, review and update it periodically.

RC LLP stewardship responsibilities include monitoring and actively engaging with the investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance opportunities or risks, capital structure, etc.

RC LLP intends to fulfil its stewardship responsibilities in the following manner:

- RC LLP shall appropriately engage with the management of the investee company on any issue which may, potentially, affect an investee company's ability to deliver long-term sustainable performance (operational / financial);
- RC LLP shall take into consideration the investee companies' business strategy, policies and practices on corporate governance matters, material environmental, social and governance opportunities or risks, capital structure, etc.;
- RC LLP shall exercise voting rights in the investee companies in a manner consistent with the best interests of the Contributors / Unit holders of the respective RCIF;
- RC LLP may decide to avail the service of external agencies along with the mechanism to ensure proper and diligent exercise of its stewardship responsibilities;

- b) **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.

### **Conflicts of Interest**

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 RC LLP (including its employees, officers or partners) conflict with the interests or benefits of its unit holders or the investee companies.

The process of identifying and managing conflict of interest shall be as under:

### **Identifying Conflict of Interest**

While dealing with investee companies, RC LLP may be faced with a conflict of interest. Given below are a few instances where conflict of interest may arise:

- Investment Team (including its employees, officers or partners) of the RC LLP may have interest in the investee company;
- The Investee Company is a seller whose products or services are important to the business of RC LLP and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the RC LLP;
- RC LLP may procure the services of related entities in which its partners, may have interest or its partners, may already have or subsequently have relationship with.

#### **Avoiding conflict of interest**

RC LLP shall take reasonable steps to avoid actual or potential conflict of interest situations and ensure that any such situation are resolved in the best interest of its unit holders. To manage the above conflicts of interest, RC LLP shall ensure the following:

- A conflict of interest situation shall be brought to the notice of the Investment committee (IC) for their guidance on the appropriate course of action;
- Make appropriate disclosure to the investors of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
- Investment committee (IC) members of the RCIF to recuse from decision making in case they have any actual/potential conflict of interest in the transaction. This shall be based on appropriate declaration obtained from them;

#### c) **Principle 3 - Institutional Investors should monitor their investee companies.**

The Investment Team of RC LLP will be responsible for monitoring the investee companies and for engaging with the managements of the investee companies. The areas of monitoring shall, inter- alia, include:

- Company strategy and performance - operational, financial etc.
- Industry-level monitoring and possible impact on the investee companies.
- Quality of company management, board, leadership etc.
- Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.

The levels of monitoring shall differ across investee companies depending upon the quantum of investment vis-à-vis total committed capital, nature of industry (highly / thinly regulated) etc. as considered important by RC LLP.

The investment team as part of its monitoring process may use publicly available information i.e., corporate disclosures on the exchanges viz. quarterly results, annual reports, corporate announcements etc. It may also engage with the management of the investee companies on periodic basis. It may where feasible, attend meetings / conference calls conducted by the management of the investee companies. Further, it can also review the sell side research and industry information, etc.

RC LLP do not pursue or seek for Unpublished Price Sensitive Information (UPSI), however if it were in receipt of UPSI, 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.

- d) **Principle 4 - Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.**

**Circumstances for active intervention:**

RC LLP shall intervene in an investee company on a case to case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibilities. The circumstances for intervention may inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

**Manner / mechanism / levels for active intervention:**

The manner / mechanism / levels for active intervention shall be as under:

- **Engagement:** Investment 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.
- **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns within a reasonable timeframe, investment team shall take all reasonable steps to re-engage with the management to resolve its concerns.
- **Escalation:** In case there is no progress despite the first two steps, investment team shall escalate the matter to the Investment Committee. If the Investment Committee decides to escalate, investment team shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. Investment team may also consider discussing the issues at the general meeting of the investee company.
- **Reporting to AMFI:** If there is no response or action taken by the investee company despite the first three steps. RC LLP may approach the relevant authorities such as AMFI.

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.

**Collaboration with other Institutional Investors**

In select cases, collaboration with other investors', especially institutional investors, may be the most effective manner to engage with the investee companies. Collaborative approach is not only cost effective; it is efficient and potent as well as is

likely to deliver the desired results. In such instances, RC LLP may willingly initiate action or support other investors' actions whose interests are aligned with RCIF.

RC LLP may also choose to involve industry associations or forums to engage with the investee company, if it deems it appropriate.

During any of the above stage, if the matter comes to voting, RC LLP may either vote against decisions or abstain from voting in case the governance practices of the investee company are improper. Further, the Investment Committee may take appropriate steps to resolve the concerns including exiting its investments.

- e) **Principle 5 - Institutional Investors should have a clear policy on voting and disclosure of voting activity.**

#### **Philosophy of Voting Policy**

The Investment guidelines for the schemes of RCIF inter-alia are generally to invest in companies which have acceptable standards of effective management, follow corporate governance norms and have sound fundamentals. Accordingly, as the decision to invest is generally an endorsement of sound management practices of the Investee Companies, the investment team may generally attend and/or vote with the management of the Investee Company 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 will attend and/or vote against such proposal.

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

Although the investment team will generally vote in accordance with this Policy, but may act differently if the relevant facts and circumstances so warrant. Hence, the investment team may deviate from this Policy guidelines when it determines that the deviation is necessary to protect the interests of the unit holders.

#### **Mechanism of Voting**

RC LLP is entitled to exercise the voting rights attached to the shares of the Investee Company (ies). The shareholders do not necessarily need to be physically present at the site of the Investee Company's annual general meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as NSDL, CSDL, etc. or by appointing a Proxy.



### **Voting Procedure**

The decision of the investment team on voting for shareholders resolution(s) shall be executed by casting votes through the e-voting facility or by physically attending the meeting or voting through proxy. However, in case the e-voting facility is not offered by any Investee Company or the Company is not in a position to cast its vote through e-voting, any of the representatives of the Company or an externally authorised agency would be delegated the responsibility for exercising the physical votes.

### **Disclosure of voting**

RC LLP will disclose all the voting done on annual basis to its investor within the timeline 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**

RC LLP may use its discretion to avail the services of the Proxy advisor(s) to aid in arriving at decision for voting. However, the investment team shall not be bound with the Proxy advisors recommendations and they are permitted to use their discretion whether to rely and/or act on the suggestions/ recommendations given by such Proxy advisor(s).

- f) **Principle 6 - Institutional Investors should report periodically on their stewardship activities.**

### **Reporting of stewardship activities**

RC LLP will disclose on website the implementation of the principles enlisted in the Policy.

Disclosures on the votes cast by RC LLP for all the resolutions put forth by the investee companies for shareholders' approval will be published on annual basis, as required by prevailing SEBI guidelines.

This Policy shall be reviewed and updated at least annually or earlier, if required and the updated policy shall be disclosed on the website. Any change or modification to the Policy will also be disclosed at the time of updating the Policy on the website.

In addition to the disclosure on its website as specified above, RC LLP shall also circulate to unit holders a status report for every financial year, as part of annual intimation to the investors. The report shall inter alia include details indicating the compliance/ any variances with the principles laid down in this Policy. The format and content of the status report will be decided by the Committee.