

STEWARDSHIP POLICY

1. Background

The purpose of this policy is to describe the approach taken by Baroda Asset Management India Limited (“**Baroda AMC**”), investment manager to Baroda Mutual Fund (“**Baroda MF**”), to stewardship based on the principles indicated by the Securities and Exchange Board of India (“**SEBI**”) vide circular reference no. CIR/CFD/CMD1/168/2019 dated December 24, 2019. The purpose of the Stewardship Code is to enhance the quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns to investors and the governance responsibilities.

2. Scope

This note covers the policy framework and the various processes that need to be followed for discharging stewardship responsibilities and its disclosure by Baroda AMC.

3. What is the Stewardship Code ?

Stewardship Code is in the form of a set of principles that have been recommended for uniform adoption by institutional investors like Mutual Funds, Pension Funds, Foreign Portfolio Investors (FPIs), Alternate Investment Funds (AIFs), etc.

Baroda AMC’s commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its clients and beneficiaries (viz. unitholders of Baroda MF), investee companies, it and minority interest remain protected. Stewardship responsibilities include monitoring and 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.

This Code broadly requires Baroda AMC to follow the principles as described hereinbelow :

Principle 1

Formulate a comprehensive policy on the discharge of its stewardship responsibilities, publicly disclose it, review and update it periodically.

Baroda AMC has adopted this policy for the discharge of its stewardship responsibilities, as per the process delineated herein.

1. **Monitoring:** Baroda AMC shall monitor every investee company on its financial performance, short, mid and long-term business strategy and the material, environmental and social risks

and corporate governance (especially board structure, constitution and directors' remuneration).

2. **Engagement:** Baroda AMC shall engage with the investee companies in the following manner:
 - a. Primary intimation of material matters identified/expected through emails/letters, corporate reports
 - b. Meetings with management, board or relevant personnel to identify, deliberate on performance, strategy, material developments,
 - c. Evaluate its action from an adequacy point of view and if required, formalize an enhanced process to fill gaps.
3. **Voting :** Baroda AMC considers voting to be an important shareholder right and a valuable tool in the engagement process and endeavours to vote on all board resolutions of investee companies, as per the Proxy Voting Policy adopted by Baroda AMC, which are critical for protecting and enhancing the investors' interests. The Proxy Voting Policy and the voting decisions are uploaded on Baroda AMC's website (viz. barodamf.com). Baroda AMC shall continue to engage with and vote on the various resolutions by the investee companies with related disclosures being made available online.
4. **Availability and review :** This Stewardship Code highlights Baroda AMC's stewardship responsibilities and is made available on its website viz. www.barodamf.com. The Code will be reviewed on a periodic basis and at least once every year.
5. **Training :** Baroda AMC may provide such training to employees involved in discharging stewardship responsibilities, as may be required.

Principle 2

Policy to manage conflicts of interest in fulfilling its stewardship responsibilities and publicly disclose it.

Baroda AMC has designed the Policy on Conflict of Interest to ensure that the interest of the client /beneficiary is placed before the interest of entity.

Baroda AMC will identify actual or potential conflict of interest situations and shall manage them in line with the Policy.

1. Identifying conflict of interest :

While dealing with investee companies, Baroda AMC may be faced with a conflict of interest, in an instance, where the investee company holds a material interest or has a strong business relationship or is a distributor for Baroda AMC. There may also be a conflict of interest wherein Baroda AMC and the investee company are part of the same group. Baroda

AMC would look out for any other situations that may potentially lead to a conflict of interest. Individual employees especially those in the investment team, holding stocks of the investee companies may also face conflict of interest when dealing with the same companies on behalf of Baroda AMC.

2. Managing conflict of interest:

In order to ensure the protection and primacy of clients and beneficiaries' interests and to comply with the applicable regulations, Baroda AMC has implemented policy and procedures aimed at preventing situations involving conflicts of interests and resolving such situations should they arise.

Baroda AMC manages the potential conflict of interest situations as under:

- a) All decisions pertaining to votes will be taken in the best interest of the unit holders of Baroda MF. In instances where the investments are in the group companies of Baroda AMC or the investee company has substantial investments in the schemes of Baroda Mutual Fund, the Voting Committee will specifically review all such proposals. The Voting Committee shall, at all times, have the discretion to decide to exercise a voting right or abstain from it.
- b) While voting for the parent of Baroda AMC or a company of the same group, it will be made sure that an employee, if any, nominated by the parent, does not form part of the Voting Committee for that decision.
- c) There will be a clear segregation of the voting function and sales functions. No sales team member shall form part of the Voting Committee.
- d) In the usual course of business, any services engaged with investee companies including associates, sponsor & group companies shall be selected in the best interests of Baroda AMC/Baroda AMC's clients. The services shall be selected on an *arms-length basis* and based on the policies adopted by Baroda AMC / Baroda MF.
- e) The policy will require the persons to recuse from decision making in case of the person having any actual/potential conflict of interest in the transaction.
- f) For all matters related to Proxy Voting, the Voting Committee will take decisions keeping in view the conflicts. Record of minutes of such discussion will be maintained.
- g) For all other possible instances of conflict, the Management Committee of Baroda AMC will decide the course of action. Record of minutes of such discussion will be maintained.
- h) For managing internal conflicts of interests between teams and employees, the following steps have been taken:
 - i. Segregation of Functions: All permissible activities are clearly segregated, structured and carried in such a way so that potential conflicts of interests, if any, can be avoided. Further all such activities are subject to compliance of applicable regulations.
 - ii. There are clear Chinese walls within the organization segregating the Investment Management division from rest of the functions.

- iii. Personal Securities Trading Policy, as per the SEBI circulars on employee dealing and SEBI (Prohibition of Insider Trading) Regulations, 2015, have been inter alia established for Directors and employees of Baroda AMC to ensure that the Directors and employees carry out their fiduciary responsibilities as prescribed by SEBI. A Code of Ethics has been adopted for all employees which provides general code of conduct, obligation, non-disclosure and protection of confidentiality of information including procedure for handling of un-authenticated information.
- iv. Best Execution Policy has been adopted to ensure fair allocation of trades executed for the schemes of Baroda MF, so as to ensure discharge of the fiduciary responsibilities of Baroda AMC.

Principle 3

Monitoring of investee companies.

1. The investment team including research analysts is responsible for monitoring performance of the investee companies. The investment team considers the investee companies' business strategy, financial performance, capital structure, leadership effectiveness, succession planning, corporate governance, ESG initiatives, disclosures and other parameters while making investment decisions. Corporate Governance parameters include board composition (with respect to independence and diversity), size and quality (with respect to leadership and credentials of the board members), director remuneration and related party transactions. Any instances of violation of shareholder rights and their grievances are also actively monitored.
2. The investment team carries out financial analysis of the investee companies, engages with the senior management/promoters of the investee companies as part of research process that could lead to an investment decision in the company.
3. Once an investment is made, the investment team continues to monitor each investee company. As a part of this process, the fund manager/analysts, where feasible, attend meetings/conference calls conducted by the management of the investee company. Fund Managers and analysts also use publicly available information, sell side research and industry information and endeavor to engage with the investee companies at least once a year, through any means detailed above. The investment team also ascertains effectiveness of internal audit processes and monitors proceedings of meetings of shareholders of the company.
4. Any events concerning the investee companies (mergers, acquisitions, controversies, new launches, regulatory actions, employee layoffs, strikes etc.) are regularly tracked.
5. The principles of conflict of interest are kept in mind by the investment team, while engaging with the management of the investee company.

Principle 4

Clear policy on intervention in its investee companies and collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

Baroda AMC would intervene in its investee companies, on a case-to-case basis, wherever it deems necessary. The decision in this regard will be taken by the CIO in consultation with the Investment Team, Risk & Compliance team or any other authority as may be required.

1. Identifying possible circumstances of active intervention:

- a. Poor financial performance of a company
- b. Poor corporate governance practices
- c. Excessive / unjustified Director/Executive remuneration
- d. Leadership issues
- e. Resignation of top executives of the company such as Chief Executive Officer, Chief Financial Officer, one or more independent directors and/or change in Internal / Statutory Auditor during the year.
- f. Significant change in promoter's shareholding
- g. Inequitable treatment of shareholders
- h. Poor business strategy such as improper operation model, improper risk management, poor selection of geographical locations for procurement of raw materials and sale of finished products, etc.
- i. Prevailing ESG Risks
- j. Lawsuits/Litigations
- k. Poor disclosures (insufficient as per regulatory requirement)
- l. Non-compliance with applicable regulations.
- m. Any other important issue like any adverse remark/observation from internal auditors or statutory auditors / Comptroller and Auditor General of India or in reports from any regulator such as RBI/SEBI/PFRDA/MCA, etc.

2. Mechanism of intervention and regular assessment of outcome of intervention

The decision for intervention shall be decided by the CIO on a case-to-case basis, based on all available facts of the investee company at that point of time.

- a. **Engagement:** Sending letters to individual investee companies, one-to-one meetings with the management team, engagement with specific teams etc. to resolve any concerns including steps to be taken to mitigate such concerns.
- b. **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by Baroda AMC within a reasonable timeframe, Baroda AMC shall take all reasonable steps to re-engage with the management to resolve its concerns.

- c. **Collaboration:** Baroda AMC shall also consider collaboration with other institutional investors, professional associations like AMFI, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.
- d. **Escalation:** In case there is no progress despite the above three steps, Baroda AMC may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, Baroda AMC may take appropriate steps to resolve the concerns including exiting its investments in the investee company.
- e. **Voting:** Baroda AMC will vote against in case the governance practices of the investee company are improper or abstain from voting in case of non-availability of proper information from the investee company(ies).
- f. **Legal Recourse:** Baroda AMC may take a legal recourse against a company if deemed necessary.
- g. **Blanket Bans:** Baroda AMC may consider extending a blanket ban on a section of companies or create a list of black-listed companies as required if there is no engagement or improvement from the companies' side. The Voting Committee may review and place for removal of the name of such company, from the list of black-listed companies after a minimum period of one year, citing reasons in writing on the need to do so, and on specifically mentioning the corrective measures taken and results obtained therefrom by the investee company, on the same subject matter for which it was originally placed in the black-list.

Principle 5

Clear policy on voting and disclosure of voting activity.

Baroda AMC exercises its voting responsibilities for its investments through the corporate proxy voting process. When voting proxies, Baroda AMC shall take utmost care to ensure that all decisions are made solely in the interests of the unitholders, with the goal of maximizing the value of their investments. However, at no point in time does it intend to participate directly or indirectly in the management of the companies. The details of the voting process are available in the Proxy Voting Policy.

- a. Baroda AMC has constituted a **Voting Committee** comprising of senior officials of Baroda AMC. The Committee has the final authority to decide upon exercise of votes.
- b. Voting decisions are made in accordance with the Proxy Voting Policy of Baroda AMC, available on its website.
- c. The Committee votes against resolutions that are not consistent with Baroda AMC's Proxy Voting Policy including governance issues, impact on minority shareholder's interest, impact on environment, impact on stakeholders like employees, customers, suppliers and surrounding community etc.
- d. The Proxy Voting Policy also provides the mechanism to deal with situations of conflict of interest, arises if any.
- e. The proceedings of the meetings with the management of the investee company and the

- exercise of voting decisions are recorded appropriately.
- f. Votes exercised / abstained along with the rationale supporting the voting decisions are disclosed on a quarterly basis within ten working days from the end of the quarter in the format prescribed by SEBI, as amended from time to time.
 - g. A summary of the votes exercised / abstained across all the investee companies and its break-up in terms of the total number of votes cast in favour, against or abstained from is also uploaded.
 - h. Further, Baroda AMC discloses the proxy voting exercised on an annual basis in the Annual Report of the schemes of Baroda MF, along with certification from the 'scrutinizer' in terms of Rule 20(3)(ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof.

Principle 6

Periodic report on its stewardship activities

- a. Baroda AMC shall report to its unit holders annually on how it has fulfilled its stewardship responsibilities as per this Stewardship Code in an easy-to-understand format.
- b. Baroda AMC understands that compliance with the principles of the Stewardship Code does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when it is in the best interest of its unit holders.
- c. Baroda AMC will report on each principle annually. While disclosure on voting will be reported separately on a quarterly basis as per the Proxy Voting Policy, the rest of the principles will be reported annually.
- d. Any updation in this Stewardship Code will be disclosed on the website.
- e. The disclosures will also be sent as a part of annual intimation to the unit holders.