

STEWARDSHIP CODE

OBJECTIVE/SUMMARY OF THE PROCEDURE

This procedure outlines the Stewardship Responsibilities for the AMC with an aim to promote mid to long-term success of investee companies in such a way so as to generate sustainable value for unitholders/beneficiaries. Effective stewardship benefits investee companies, asset managers, investors, enhances the quality of capital markets, all leading to long-term benefits for society and the economy.

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BNP PARIBAS
ASSET MANAGEMENT

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TABLE OF CONTENTS

SR. NO.	PARTICULARS	PAGE NOS.
1.	INTRODUCTION	3
2.	EFFECTIVE DATE	3
3.	DISCLOSURE	3
4.	KEY PRINCIPLES	4
5.	DEVELOP CAPABILITIES AND EXPERTISE	6

1. INTRODUCTION

The importance of institutional investors in capital markets across the world is increasing the world over; they are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies. Such activities are commonly referred to as 'Stewardship Responsibilities' of the institutional investors and are intended to protect their clients' wealth. Such increased engagement is also seen as an important step towards improved corporate governance in the investee companies and gives a greater fillip to the protection of the interest of investors in such companies.

BNP Paribas Asset Management India Private Limited (the AMC) is committed to becoming a Responsible Investor in all aspects of our business. We, as a part of our regular business activities invest in equity securities issued by companies (Investee Company) as an investment manager to BNP Paribas Mutual Fund (the Fund). As a part of this activity, our investment team monitors and engages with the investee companies on issues like strategy, business performance, corporate governance and other related issues in order that the best interest of the unitholders' of the Fund are protected. We also exercise our voting rights attached with these investments.

This document further sets out the principles and the policies which we follow regarding the engagement with the management of the investee companies, monitoring of the investee companies, intervention in the investee companies, collaboration with other institutional investors where required, managing of conflicts of interest in fulfilling stewardship responsibilities, voting on resolutions pertaining to the investee companies and periodical reportings on the stewardship activities.

This policy will be referred to as the 'Stewardship Code' for the AMC.

2. EFFECTIVE DATE

The Stewardship Code has come into effect from July 01, 2020.

3. DISCLOSURE

We are committed to transparency with regards to our stewardship activities. A copy of this policy, as amended from time to time, can be accessed on the website of the AMC (www.bnpparibasmf.in). Any updation of policy shall be disclosed on the website of the AMC as and when done.

Unitholders should ensure themselves that they read the last available version of this document.

4. KEY PRINCIPLES

❖ Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically:

We, shall bear in mind, in the investment of funds, our primary obligation to our unitholders, whose money we invest, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the unitholders as well as the community as a whole, keeping in view our obligations.

We are of the view that the investee companies should be at full liberty to deal with various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), capital structure, etc. as long as environmental, social and governance (ESG) principles are embedded in the investee company's decisions and it is not prejudicial to the interests of the AMC or our unitholders. In case of divergence from these principles, we shall consider one or more of the following options viz. engaging with the company, seeking presentations from the company, engaging with the Board of directors of the company, collaborating with other shareholders, taking voting decisions, interaction with the investee company through institutional investor associations (eg Association for Mutual Funds in India (AMFI)) and in extreme cases escalating the issue to regulatory and statutory authorities or other appropriate actions which is warranted by the circumstances.

As a policy, we will not seek to nominate our representative on the Board of an investee company based on our investments in the investee company, unless such investment is strategic in nature and / or the Investment Committee decides that a nominee is warranted. The Investment Committee, in that case, will recommend nomination of members on the Board of investee company, to the Board of AMC. Once such approval is received, we will take up with the investee company, for nomination of our representative to be inducted as a director on the Board of the investee company. The person so nominated will follow the code of conduct prescribed by us for such nominee directors.

However, it shall be imperative that we, through our investment team, engage in oversight of the investee companies. The companies selected for such oversight shall be on the basis of threshold of exposure determined on the basis of internal criteria. The threshold level will help in determining the level of engagement and intervention with the investee company. Our Investment Committee may amend the threshold level based on experience.

We may avail of external services for professional advice in seeking to implement our stewardship responsibilities. These external services may be utilized by us with a view to enable us to take informed decisions which would benefit all the relevant beneficiaries. The role of the service providers shall not be beyond providing company research reports, data and tools to assist us with reporting and ensuring regulatory compliance. For such external services, we shall ensure that scope is clearly laid down and upon our review, ensure that the services are supplied to us in a proper and diligent manner.

❖ 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:

A conflict of interest is a situation where, in the framework of the activities of AMC, the interests of the AMC and/or of their clients and/or of their employees are in competition, either directly or indirectly.

An interest is a benefit of any nature, material or immaterial, professional, commercial, financial or personal. This definition applies to real, potential or apparent conflicts of interests.

We have already implemented a clear policy on how to manage conflicts of interest. Our 'Policy For Managing Conflicts of Interest' details the requirements for the following aspects:

- 1) identifying potential conflicts of interest;
- 2) pinpointing the regulations and procedures for avoiding or managing conflicts of interest;
- 3) establishing and implementing these procedures;
- 4) creating a record;
- 5) implementing measures for informing clients when conflicts of interest cannot be overcome;
- 6) creating a framework for dealing with cases which do not correspond to the previous headings;
- 7) making efforts to increase employee awareness and training programmes.

Our policy requires, both in practice and at regulatory level, in-depth studies and specific implementation within the AMC.

We shall strive to reduce, if not eliminate, conflict of interests among various classes of stakeholders by identifying the primary issues in respect of each class and taking appropriate decisions incorporating fairness and equity into them which would lead to harmony within and also in relation to the external environment.

❖ Principle 3: Institutional investors should monitor their investee companies:

Our Investment team regularly monitor the investee companies through publicly available information, research reports, media reports, annual reports, presentations sought from the companies on specific issues and engagement with the executives of the companies through investor analyst calls / meetings. While effort is made to ensure at least one interaction (call / meeting) with the management of the investee companies in a year, there might be instances where the management of the company is not accessible or where our investment team believes that there is no incremental information to be obtained from the management. In such cases, monitoring could be through other external sources, on a best effort basis.

Our Investment team is responsible for the monitoring of the investee companies' business strategy, performance (operational, financial etc.), capital structure, quality of management, board, leadership etc., leadership effectiveness, succession planning, corporate governance (including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.), cultural, Risks, including Environmental, Social and Governance (ESG) risks, respect of shareholders' rights, their grievances etc. Our Investment team also monitor the industry of the investee company to help assess possible impact on the investee companies.

We may choose to intervene in the matter of succession planning if the same involves violation of the principles of corporate governance. The intervention in such an eventuality shall be confined to collaborating with other institutional shareholders and appropriate voting on proposed resolutions.

As also already covered under **Principle 1**, we shall engage in oversight of our investee companies. The companies selected for such oversight shall be on the basis of threshold of exposure determined on the basis of our internal criteria. The threshold level will help in determining the higher level of engagement and intervention with the investee company. Our Investment Committee can amend the threshold level based on experience.

We neither wish to be made an insider in the investee companies nor wish to be given price sensitive or business sensitive information which might have an impact on dealing with the shares of the companies. Nevertheless, while dealing with the investee company, we shall ensure compliance with legal and regulatory requirements including market abuse, SEBI (Prohibition on Insider Trading) Regulations, 2015.

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

Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, poor financial performance of the company, other performance parameters, corporate governance related practices, remuneration, corporate plans/ strategy, ESG risks, leadership issues, litigation, CSR and society related matters.

We may intervene on case-by-case basis if it feels that our intervention is required to protect value of the investments made by us in the companies on behalf of the unitholders and in discharge of our stewardship responsibility.

As also already covered under **Principle 1**, we may choose to intervene in the form of one or more of the following options viz. engaging with the executives of the company, seeking presentations from the company, engaging with the Board of Directors of the company, collaborating with other shareholders, taking voting decisions, interaction with the investee company through institutional investor associations (eg AMFI) and in extreme cases, escalating the issue to regulatory, statutory authorities or undertake other appropriate actions, including recourse to other legal actions, which is warranted by the circumstances.

✚ **Interaction & Escalation within investee company:**

In case of engagement with investee company, we shall ensure that the interactions are held with the company executive/personnel, authorised and empowered to act on the areas of concerns. In such interventions, we shall ensure that a time bound plan to rectify or re-align the business practices or actions are discussed and agreed upon. In case there is no progress, the matter shall be discussed at our Investment Committee meeting for further escalation to the Board of directors of the investee company.

✚ **Collaboration with other shareholders / interaction with the investee company through institutional investor associations:**

In some cases, collaboration with other shareholders may be the most effective manner to engage with the investee companies. Collaborative approach may not only be cost effective, but efficient and potent as well and is likely to deliver the desired results. Such collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

We may choose to engage with the investee company through consultations with the other institutional investors, shareholders, whose interests are aligned with our interests and interest of our unitholders, in order to have a wider group of investors representing a larger proportion of shareholders to engage with the company. We may also choose to involve institutional investor (eg AMFI) or industry associations or forums to engage with the investee company, if appropriate. It is only when we believe that the collaborative action would be an effective means by which investors can exercise appropriate influence, shall we be willingly to initiate action or support other investors' actions.

In taking collaborative action, we shall individually determine our position and we shall not act or be construed as acting as a 'person acting in concert' with other shareholders and would always be cognizant of legal and regulatory requirements, including on market abuse, insider dealing and concerted party regulations.

✚ **Reporting to regulators/authorities:**

Only in exceptional cases, where the concerns relate to matters of public interest or public laws, if there is no response or no action taken by the investee company despite various escalations, our Investment Committee may decide to report the same to the relevant regulatory, statutory authorities or any Government body which is warranted by the circumstances.

In all cases of engagement or interventions, whether with the executives and / or the Board of Directors of the investee company, through collaboration with other shareholders, interactions through institutional investor associations etc., all communications and discussions shall be conducted in **private and confidential manner**, unless it is permitted to be communicated publicly to the unitholders under any law. Our objective of such interactions shall be to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the unitholders of the Fund.

❖ Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity.

Voting at meetings and engagement, are integral parts of our investment responsibilities and key components of the ongoing dialogue with investee companies in which we invest on behalf of our clients. Through exercise of our voting rights, we aim to enhance the long-term value of our shareholdings and to foster corporate governance best practices, social responsibility and environmental stewardship.

The practices which we support include:

- competence, independence and availability of board members,
- transparency of compensation structures and alignment with long-term company interests
- respect of shareholders' rights, including the « one share-one vote-one dividend » principle and absence of anti-takeover measures
- timely and accurate disclosure on operating and financial results including material environmental, social and governance issues.

These standards are further supported by a set of voting guidelines. We have implemented principles on voting for Mutual Funds, as envisaged under SEBI circulars dated March 15, 2010, March 24, 2014 and March 05, 2021, through our policy 'Governance Measures and Voting Principles' which is available on our website (www.bnpparibasmf.in). For each voting issue, these guidelines highlight criteria that reflect or tend toward best practice and that we actively support, as well as resolutions that go against shareholder interests and corporate responsibility, and that we are likely to oppose or abstain. We consider several factors, including recommendations made by proxy advisory firms, while voting. We shall vote on resolutions in accordance with our voting policy, to protect the interest of our unitholders.

All unitholders are afforded the opportunity to obtain information concerning the voting record for shares held for their beneficial interest on our website in the format specified by SEBI.

❖ Principle 6: Institutional investors should report periodically on their stewardship activities.

We shall report periodically on how we have fulfilled our stewardship responsibilities to our unitholders / beneficiaries through periodic disclosures on our website in an easy-to-understand format.

A report may be placed on website on implementation of every principle atleast on an annual basis, not later than within 4 months of end of financial year. However, different principles may be disclosed by us with different periodicities. e.g. all voting activity is disclosed on quarterly and annual basis in line with SEBI requirements, whereas implementation of conflict of interest policy may be disclosed by us on an annual basis. The report may also be sent by us as a part of annual intimation to the unitholders / beneficiaries.

Our commitment to comply with the aforesaid principles and fulfilling stewardship responsibilities does not constitute an invitation to manage the affairs of a company or preclude our decision to sell a holding when it is in the best interest of our unitholders /beneficiaries.

5. DEVELOP CAPABILITIES AND EXPERTISE TO IMPLEMENT STEWARDSHIP RESPONSIBILITIES:

We shall always endeavor to build up our capacity and expertise, to enable us to deepen the understanding of investee companies and to carry out constructive shareholder activities in order to promote the mid to long term development and sustainability of investee companies. To that end, we shall ensure an appropriate organizational structure, inject internal resources/personnel, and make continuous effort to train, develop and improve the capacity and expertise of these resources/personnel. In light of available internal resources and financial conditions, as also already covered under **Principle 1**, we may avail of external services for professional advice in seeking to implement our stewardship responsibilities.