

STEWARDSHIP CODE

Version	Date
1.0	March 2023

1. BACKGROUND

- 1.1. As on date, Tunga Advisors LLP (“**Investment Manager**”) manages the Tunga Investment Trust (and its schemes, viz. Tunga India Long Term Equity Fund), registered with the Securities and Exchange Board of India (“**SEBI**”) under the SEBI (Alternative Investment Funds) Regulations, 2012 as a category III alternative investment fund.
- 1.2. Any fund (including any scheme/s), that may be launched, managed or sponsored by Tunga Advisors LLP shall be referred to as the “**Fund**”. However, the interpretation of it will be required to be read with specific reference to each policy read with the respective fund documents, as the context may require. This is to accommodate the regulatory requirements under each policy.

2. INTRODUCTION

SEBI vide its circular no. CIR/CFD/CMD1/168 /2019 dated December 24, 2019 (“**Circular**”), introduced the stewardship code for all categories of alternative investment funds in relation to their investments in listed equities. The Code describes the approach taken by the Fund towards stewardship based on the principles indicated by SEBI vide the aforesaid Circular.

3. APPLICABILITY

- 3.1. This stewardship code (“**Code**”) documents the guiding principles to be adopted and followed by the investment management team managing the Fund. This Code is prepared on the basis of principles enumerated in the said Circular. This Code shall act as guidance to the investment management team for discharging its stewardship responsibility.
- 3.2. This Code is applicable for the Fund related activities undertaken by Tunga Advisors LLP. This Code will be effective for all listed companies, where the Fund has made investments.

- 3.3. Ms. Kalarugmini Payannur Krishnan shall be the compliance officer who shall be responsible for the implementation of this Code under the overall supervision of the Investment Manager.

4. DEFINITIONS

- 4.1. **“Portfolio Company”** or **“Portfolio Companies”** or **“Portfolio Entity/ies”** means such company, special purpose vehicle, limited liability partnership, body corporate or other permissible entity/enterprise in whose securities/products monies of the contribution fund of the Fund are invested.
- 4.2. **“Sponsor”** means ‘Tunga Management Consultants LLP’.
- 4.3. **“Supervised Person”** includes (i) partners, key advisors, key persons, key investment team members, shareholders, directors, employees, officers including any principal and compliance officers, any support staff such as IT or secretarial staff who have access to unpublished price sensitive information and any other person occupying a similar status /performing similar functions; and (ii) any other person who provides investment management services on the Fund’s behalf and is under the Fund’s supervision / control.
- 4.4. **“Trustee”** means ‘Catalyst Trusteeship Limited’, or such other Person that may be appointed under the terms of the Indenture.

5. OBJECTIVE

- 5.1. The objective of the Code is to enhance the quality of engagement between institutional investors and the Portfolio Companies to help improve corporate governance practices with a view to enhance long term returns to the investors of the Fund.
- 5.2. Stewardship responsibilities include monitoring and actively engaging with Portfolio 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.

6. IMPLEMENTATION OF THE CODE

6.1. Principle 1: Stewardship Responsibilities

6.1.1. **Role of the Key Persons:**

The key persons of the Fund are responsible to safeguard interests of the investors. Hence, the key persons shall be responsible for overall implementation and execution of this Code. The stewardship responsibilities of the Fund shall be:

- a) The investment management team while making investment decisions might take into consideration various aspects of a Portfolio Company, such as the Portfolio Companies' policies, strategies, financials, business processes, operational processes, ESG risks, practices on corporate governances (including board structure, remuneration, etc.), industry-level monitoring and possible impact on the Portfolio Companies and such other information as relevant for the purpose of making investment decisions in the Portfolio Company;
- b) To ensure active engagements with the Portfolio Companies including meetings with management, board or relevant personnel to identify, deliberate on and find possible solutions to the issues and continued discussions to formalize a better process to fill existing gaps;
- c) To exercise voting rights in the Portfolio Companies in a manner consistent with the best interests of the investors; and
- d) To have a clear policy on conflict of interest to ensure that the interest of the investors of the Fund is placed before the interest of any other person/entity.

6.1.2. **Outsourcing:**

In case the Fund utilizes the services of any external service providers to support the investment management team in discharging its stewardship responsibilities, the scope of its services that it proposes to avail will be specified clearly with the outsourced entity. The Fund shall put in place requisite monitoring mechanism on the outsourced entity in relation to the outsourced functions to ensure that its stewardship responsibilities under this Code are duly discharged in the interest of the investors and also ensure that the same are in line with SEBI Guidelines on Outsourcing of Activities by Intermediaries issued

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by SEBI vide its circular no. CIR/MIRSD/24/2011 dated December 15, 2011 (as amended from time to time). The investment management team may use its discretion to rely and/or act on the suggestions/ recommendations given by such external service providers.

6.1.3. **Training and review:**

A training program shall be formulated for training of the key persons, investment management team and such other employees who are involved in ensuring compliance of this Code. The training sessions shall be conducted to explain the responsibility under this Code along with amendments, if any. This may be done through external agency or internal team presentations.

6.1.4. **Disclosure on website:**

This Code, as amended from time to time, will be disclosed on the website of the Fund viz. <https://tungainvestments.com/>. Further, the Code will be reviewed and updated periodically. Any change or modification to the Code will also be disclosed on the website from time to time.

6.2. **Principle 2: Management of Conflict of Interest**

6.2.1. **Conflict of interest policy:**

Each Fund may be subject to certain conflicts of interest relating to the Trustee, the Sponsor, contributors, the Investment Manager, and their respective affiliates/ associates/ group companies (if any) and their respective shareholders, officers, partners, directors and employees (as the case may be) and members of any committee of the Fund set up by the Investment Manager, key investment team or advisory team of other investments managed or advised now and in the future by the respective parties and their respective employees, agents, consultants, officers and directors (as the case may be) (collectively, the “**Interested Parties**”). The Investment Manager has adopted a separate policy for managing conflict of interest to ensure that the interest of contributors of the Fund is protected. The brief description of the conflict management policy is provided herein. Please refer to the conflict management policy and the private placement memorandum of the Fund for additional details and explanation on defined terms.

Potential Conflict of Interest: The investment management team (including any of its members) and/or the Supervised Person shall not recommend any transaction to the Fund without first disclosing his or her interest in the

transaction to the Fund's compliance officer; such interest will presume to represent a conflict of interest until proven otherwise.

The Investment Manager has identified the following possible situations of conflict of interest. This list is not exhaustive and is only indicative of the possible conflicts:

- (a) Allocation of time and management of the Fund;
- (b) Representation on the board of the Portfolio Entities,
- (c) Service providers of the Fund;
- (d) Existing relationships with Portfolio Entities;
- (e) Existing investments in Portfolio Entities;
- (f) Allocation of investment opportunities;
- (g) Purchase from and sale of investments to Interested Parties;
- (h) Agreements with the contributors;
- (i) Interests of contributors;
- (j) Inter-se different activities;
- (k) Transactions with Interested Parties; and
- (l) Co-investment opportunities.

6.2.2. Approach for resolution of conflict of interest:

In addition to the provisions set out in the conflict of interest policy, the Fund shall establish procedures for managing and mitigating conflict of interest which shall include but are not limited to the following:

- (a) **Confidential Information:** In order to protect the interest of the Fund or Portfolio Company, the Fund shall enter into appropriate confidentiality agreements with necessary persons to restrict the flow of information to certain individuals and prevent improper access to information.
- (b) **Arm's Length Transactions:** The Fund will take appropriate measures intended to ensure that the Interested Parties will not unfairly profit from

any transaction and all such transactions shall strictly be done on an arm's length basis.

6.2.3. The conflict management policy shall be reviewed on a periodic basis and will be publicly disclosed.

6.2.4. For additional details, please refer to the conflict management policy.

6.3. Principle 3: Monitoring of Portfolio Companies

6.3.1. Areas of monitoring:

The investment management team is responsible for the periodic monitoring of the Portfolio Companies' performance. The investment management team shall periodically monitor the Portfolio Companies in the following areas including but not limited to:

- a) Company strategy and performance - operational, financial etc.
- b) Industry-level monitoring and possible impact on the investee companies.
- c) Quality of company management, board, leadership etc.
- d) Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
- e) Risks, including ESG risks
- f) Shareholder rights, their grievances etc.

6.3.2. **Level of monitoring for Portfolio Companies:** The level and degree of monitoring/engagement may vary depending upon the materiality of investments. The investment management team shall determine the level of monitoring for the Portfolio Companies. The investment management team may identify situations where active engagement with the Portfolio Companies may not be necessary, especially if the investment is insignificant, etc. In case of Portfolio Companies where larger investments are made, higher levels of monitoring may be conducted.

6.3.3. **Process of monitoring:** The investment management 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 Portfolio Companies on periodic basis. Further, it can also review the sell side research and industry information, etc. The members of investment management team

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shall, where feasible, attend meetings/conference calls conducted by the management of the Portfolio Company. The Fund may be required to seek certain information from the Portfolio Company which may be necessary for monitoring purposes, however such information could be construed as insider information. In all such instances, the investment management team shall ensure due compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015, and related circulars and guidelines as may be issued thereunder from time to time (“**Insider Trading Regulations**”), as well as ensure that the Fund does not breach the prohibitions or restrictions on insider trading. If the Portfolio Company is seen as non-cooperative with the investment management team’s disclosure request or any other request in compliance with Insider Trading Regulations, the investment management team would contact the relevant department of SEBI for further guidance, while still fully complying with all relevant Insider Trading Regulations.

6.4. Principle 4: Intervention in the Portfolio Companies

The Fund may intervene in the Portfolio Companies, on a case-to-case basis, wherever it deems necessary and the materiality of the investment makes it possible for the Fund to do so. The decision in this regard will be taken by the investment management team.

6.4.1. Identifying possible circumstances of active intervention:

- a) Continuous lack of financial performance;
- b) Lack of corporate governance practices;
- c) Inequitable treatment of shareholders;
- d) Lawsuits/litigation;
- e) Non-compliance with regulations; or
- f) Any other important issue.

6.4.2. Mechanism of intervention and regular assessment of outcome of intervention:

The decision for intervention shall be decided by the investment management team on a case-to-case basis based on all available facts of the Portfolio Company at that point in time.

- (a) **Step 1: Engagement:** The investment management team member shall, if possible, have 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) **Step 2: Re-Engagement:** In the event the management of the Portfolio Company fails to undertake constructive steps to resolve the concerns raised within a reasonable timeframe post initial engagement of the investment management team members of the Fund, the investment management team members shall reinitiate the engagement with the management to resolve its concerns and reiterate the conclusions or the plans of action decided at the prior meetings, if possible. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon, if possible.
- (c) **Step 3: Escalation:** In case there is no progress despite the Step 1 and Step 2, the Fund may escalate the matter for (i) discussion with the board of directors of the Portfolio Company; (ii) discussion at the general meeting of the Portfolio Company. If there is no response or action taken by the Portfolio Company despite the efforts, the Fund may approach the relevant authorities governing the Portfolio Company.
- (d) **Step 4: Collaboration:** The Fund may also consider collaboration with other institutional investors, professional/industry associations and any other entities where it deems necessary on a case by case basis when it believes that collaborative actions would be an effective means by which investors can exercise appropriate influence. In taking collaborative action, the Fund would be cognizant of legal and regulatory requirements.
- (e) **Step 5: Voting against Issue:** The Fund may consider voting against if it disagrees with management, observes improper governance practices or when above mentioned modes of intervention fails.

6.4.3. **Investments in Portfolio Company:** In case the Fund's intervention is not successful, it will not automatically result in the exit of investment in the Portfolio Company. The decision to purchase more equity or sell all or part of the total investment in the Portfolio Company will be made in the best interest of the investors, considering prevailing valuations and other market factors.

6.5. Principle 5: Voting related matters

- 6.5.1. **Exercise of voting rights:** The Fund shall exercise voting rights in the Portfolio Company in the best interest of the investors. The voting rights shall include vote for and against and abstention from exercising the rights. The Fund has in place a comprehensive voting policy as set out in **Annexure 1** which includes details of mechanisms of voting, circumstances in which voting should be for/against/abstain, disclosure of voting.
- 6.5.2. **General Guidelines for exercise of voting rights:** The Fund's decision either to vote or abstain from voting or vote against any of the proposal of the Portfolio Companies shall be made taking into consideration any possible implications on the Fund's interest. The Fund shall keep the interest of the Fund and its investors as paramount.
- 6.5.3. **Use of proxy advisors:** The Fund does not propose to use proxy voting or other voting advisory services, but in case it does, it shall appropriately disclose the scope and extent of such services.

6.6. Principle 6: Report on stewardship activities

The Fund shall provide periodic reports of its stewardship responsibilities in a simple format to the investors. A report may be placed on the website on implementation of every principle. Different principles may also be disclosed with different periodicities. For example, voting as well as implementation of conflict management policy may be disclosed on an annual basis. Any revision of policy may be disclosed as and when done. The report may also be sent as a part of annual intimation to the investors.

Annexure 1 – Voting Policy

1. Voting policy guidelines

- a) The Fund shall endeavour to vote on all ordinary/ special resolutions which may affect the investors' interests.
- b) The Fund may authorize any of its officials to attend the meetings of the Portfolio Companies in person and to vote as approved internally basis the decision of investment management team.
- c) The decision regarding the voting on the resolution, (i.e. whether the Fund will abstain from voting or vote for or against the proposed resolution by the Portfolio Company) will be taken basis the decision of investment management team.

2. Abstain from voting:

- a) The Fund may also decide to abstain from voting in cases (a) where the proposal is not considered detrimental to the interest of the investors; (b) where the cost involved in exercising the voting rights far outweigh the advantages to be derived therefrom; and (c) where it has insufficient information or there is conflict of interest with the Fund.

In case of a conflict of interest, the Fund shall act in terms of its conflict management policy and will exercise discretion, keeping in mind the best interest of the investors.

- b) The Fund may also abstain from voting in the Portfolio Company on certain matters which are general or routine in nature and are not likely to impact the Fund's interest in the Portfolio Company.

3. Mechanism of voting:

With the availability of voting through electronic means, the Fund shall cast its vote using an electronic platform. Where electronic voting is not possible, the Fund shall endeavour to vote in person.

The Investment Manager's Oversight Committee consists of Mr. Lakshminarayanan Kalpathy Ganapathi and Mr. Gaurav Nigam. The Oversight Committee oversees the voting mechanism of the Fund and ensures that the guidelines of this Voting Policy are adhered to.

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4. **Exception:**

The Fund will vote in accordance with the voting policy, but it may act differently if, the relevant facts and circumstances so warrant. Hence, the Fund may deviate from the voting policy guidelines when it determines that the deviation is necessary to protect the interests of the Investors.

5. **Disclosure:**

- (a) The voting policy will be shared with the investors at the time of onboarding of the investors and thereafter in case of any updates.
- (b) The Fund shall record and disclose the specific rationale supporting its voting decision (for, against or abstained from voting) with respect to each vote proposal and disclose it to the investors on annual basis as part of the annual report to investors.
- (c) The Fund shall additionally publish a summary of the votes cast across all the Portfolio Companies and break-up in terms of total number of votes cast – for, against or abstained from voting.