

## STEWARDSHIP CODE

### **Background**

In order to ensure the fiduciary responsibilities towards its unitholders, the JM MF has framed the Stewardship Code (“Code”) in compliance with SEBI circular no. CIR/CFD/CMD1/ 168 /2019 dated December 24, 2019 read with SEBI Circular SEBI/IMD/CIR No. 18 /198647/2010 dated March 15, 2010 and CIR/IMD/DF/05/2014 dated March 24, 2014 (“Circular”). The Code sets out principles indicated in the above SEBI Circular on Stewardship Code for Mutual Funds and others in relation to their investment in listed equities. The Code shall be effective from April 01, 2020.

### **Objective**

JM Financial Mutual Fund (“JM MF”) believes that the promotion of good corporate governance in the equity listed companies (“Investee Companies”), where schemes of JM MF (except JM Arbitrage Fund) have invested, forms the basis of its fiduciary duties towards unitholders. Good corporate governance provides a mechanism to ensure that a company operates in the long-term interests and to protect the wealth of its unitholders. Therefore, we believe that all of the Investee Companies can properly fulfill their fiduciary duties by meeting high levels of corporate governance standards.

### **Principle 1 - Discharge of stewardship responsibilities:**

Oversight of stewardship responsibilities of JM MF shall be undertaken by the Investment Executive Committee (“the IEC”) of JM Financial Asset Management Limited (“the AMC”). The IEC shall be responsible for monitoring implementation of the Code duly approved by the Boards of the AMC and JM Financial Trustee Company Private Limited (“Trustee”)

Stewardship responsibilities include monitoring and actively engaging with Investee Companies on various matters including but not limited to performance (operational, financial, etc.), related party transactions, impact of macro-economic factor, strategy, culture, corporate governance (including board diversity & structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc to ensure that the best interest of the investors of the Schemes of JM MF are protected. The engagement will be through detailed discussions by the Equity Fund Management team with management and Board of Directors of Investee Companies, exercising voting at shareholders meetings, etc.

The IEC may follow the below mentioned norms to discharge its Stewardship responsibilities:

1. The IEC will set the threshold level beyond which the exposure would be deemed as material for its engagement in the Investee Company. However, the IEC can decide to also engage in an Investee Companies where the investment is below threshold level, considering the seriousness of the issue;
2. The threshold level can be amended by the IEC as and when required.
3. The IEC may authorise personnel responsible for monitoring the Investee Companies/other agencies and for engaging with the managements and Board of Directors of the Investee Companies;
4. The services of external service providers such as institutional advisors may be used from time to time

## **Annual Review**

The Code will be reviewed by the IEC and will be placed before the Boards of the AMC and Trustee for their review annually. The Code will also be hosted on the website of JM MF.

## **Principle 2 – Managing Conflict of Interest:**

JM MF is sponsored by JM Financial Limited, a flagship company of large and diversified financial services groups with many related companies (“JM Financial Group”). This may entail some instances of a conflict of interest between the interests of unitholders of JM MF and the Investee Companies. Some of the key instances are as under

1. The AMC and the investee company are part of the same promoter group.
2. The Investee Company is a service provider of JM Financial Asset Management Limited or vice versa.
3. Directors / Promoters of Investment Committee or Board of AMC has been appointed as a director or a key managerial person of the investee company.

The AMC will manage conflicts of interest by requiring members of the IEC and other personnel involved in implementing the Stewardship Code to:

- Avoid conflicts of interest where possible
- Identify and disclose any conflicts of interest
- Carefully manage any conflicts of interest in the interest of the unitholders, and
- Follow this policy and respond to any breaches.

Once the matter of conflict of interest is referred to the IEC, it will take the decisions in the best interest of the unitholders, including but not limited to putting a blanket ban on investments. The person disclosing the conflict of interest will be excluded / debarred from taking part in any decision making.

The decision taken by the IEC alongwith its rationale will be recorded in the minutes of the meeting.

## **Principle 3 - Monitoring the Investee Companies**

As has already been covered under Principle 1, the AMC shall engage in oversight of its Investee Companies. The Investee companies selected for such oversight shall be on the basis of threshold of exposure determined by the IEC.

The IEC or its authorised personnel will regularly monitor the Investee Companies in which it invests by analysing public disclosures i.e. research reports, media reports, annual reports, presentations sought from the companies on specific issues and engagement with the executives of the companies. The monitoring will inter-alia cover performance of Investee Companies, corporate governance, strategy, risks, management evaluation etc. While endeavour would be to ensure at least one meeting with an Investee Companies in a year, there can be Investee Companies where the management is not accessible or not accessible at appropriate levels or cases where the Investment team believes that there is no incremental information which is being provided by the management, in such cases, it is possible that the monitoring would be done through other sources like conference calls, third party research and public information.

JM MF shall 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 Investee Companies.

## **Principle 4 - Active Intervention in the Investee Company**

As has already been covered under Principle 3, the 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.

The AMC may intervene on acts/omissions/concerns of Investee Companies on account of insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, corporate social responsibility, environment and social matters, etc., to protect the value of investment and in the interest of unitholders while discharging its stewardship responsibilities.

The intervention in the Investee Company would inter alia be as below:

1. If the investment is above the threshold limit as determined in Principle 1. However, considering the seriousness of the issue, the AMC may also intervene in Investee Companies where the investment is below threshold level.
2. The level of intervention in Investee Companies' will vary, depending on a number of factors, including: financial performance of the company, corporate governance related practices, remuneration, leadership issue, litigation and its business activities.
3. The intervention will be through meetings/discussions with the management for resolution of the issue. If concerns regarding an Investee Company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis with a view to resolve the issue constructively and where possible as part of the fund manager's ongoing dialogue.

If no response is received from the Investee Company, the concern will be escalated directly to the Board of Directors of Investee Company. The response, if any received from the Investee Company will be placed before the IEC. If the Committee is dissatisfied with the response of the Investee Company, the concern will be escalated to the Board of Directors of the Investee Company.

The response, if any received from the Board of Directors of the Investee Company, will be placed before the IEC for its review.

Only in extreme cases, where the concerns relate to matters of public interest or public laws, if there is no response or no action taken by an Investee Company, despite the escalations as mentioned earlier, the IEC may decide to report the matter to the relevant Regulator, Authority or any Government body as may be required.

4. Further, 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. 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. 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. The AMC may also choose to involve AMFI or any other forums to engage with the Investee Company(ies), if appropriate.

#### **Principle 5 - Voting and disclosure of voting activity**

The voting will be done by exercising independent judgement, acting in the best interest of unitholders. JM MF has put in place the Corporate Governance Policy (Annexure A) which has been duly approved by the Board of the AMC and Trustees.

## **Principle 6 - Reporting of Stewardship Activities**

JMF AMC shall periodically report stewardship activities as per the formats prescribed by SEBI from time to time and review the activities at the following intervals.

<b>Principle</b>	<b>Particulars</b>	<b>Frequency</b>
Principle 1	Review of Stewardship Code	Annual
Principle 2	Review of policy on conflict of interest	Annual
Principle 5	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

### **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.