

**MARCELLUS INVESTMENT MANAGERS PRIVATE LIMITED**

**STEWARDSHIP POLICY**

<b>Document Control</b>	
<b>Title</b>	Stewardship Policy
<b>Policy Owner</b>	Marcellus Compliance Team
<b>Approved by</b>	Board of Directors dated 30 <sup>th</sup> July 2021
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## I. Background & Applicability

1. Regulators and Investors world over expect Institutional Investors like mutual fund and alternate investment funds to shoulder greater responsibility towards funds under their care by enhancing monitoring and engagement with their investee companies. These engagements are an important step in monitoring and raising corporate governance standards in the investee companies. Indian Securities markets regulator, SEBI, vide its circular dated December 24, 2019 has also mandated Alternative Investment Funds to adopt Stewardship Code.
2. Marcellus' Stewardship Code is an important element of our Responsible Investments initiative. Our Stewardship program operates under six principles:
  - a) Create and adhere to a comprehensive stewardship policy that provides for public disclosure, periodical review and updation;
  - b) Have policy for managing conflicts in fulfilling stewardship responsibilities;
  - c) Monitor investee companies on various parameters;
  - d) For appropriate issues, have engagement with investee companies, collaborate with other institutional investors to preserve value /interests of the funds under our care;
  - e) Create Voting policy and publish level of voting activity; and
  - f) Report to relevant stakeholders on the status of stewardship activities at defined intervals.

This policy shall apply to all Alternative Investment Funds (Funds) under the care of Marcellus Investment Manager Private Limited ("Marcellus" or "Investment Manager").

## II. Stewardship Responsibilities

1. At Marcellus, we strive to invest the Funds under our care in portfolios which deliver healthy rate of compounding, consistently over long time periods. To achieve this, we are committed to our stewardship responsibilities. In particular:
  - a) We keenly monitor the corporate governance practices that our investee companies follow. Our proprietary screeners filter out companies with weak or poor accounting practices. Further, in our research process, we focus on assessing factors such as board quality and composition, auditor remuneration, etc. Additionally, as part of our ESG policy, we have a Governance checklist, that is updated annually for all portfolio companies and which covers various governance checks.
  - b) We engage with our investee companies and market participants to monitor and understand their financial and operations performance, strategy, environmental, social and governance (ESG) opportunities or risks they face;
  - c) We evaluate and monitor efficiency in capital structures and capital deployment by our investee companies;
  - d) We engage with the managements of our investee companies on a number of issues as and when required;
  - e) We consider the issues brought to us as shareholders and vote in shareholders meetings in the best interest of our Funds; and
2. The AIF Investment Committee of Marcellus maintains an oversight on stewardship activities of Marcellus. We ensure the effective implementation of this policy through training the relevant employees on an annual basis. This Policy shall be reviewed annually.

Our Stewardship policy is available at our website [www.marcellus.in](http://www.marcellus.in).

### III. Conflict of Interest

1. Conflicts of Interest is a situation where Marcellus' interests (including our directors, employees) are not aligned to the interests of the Funds under our care. Marcellus takes steps to avoid actual or potential conflicts of interests. Even if they arise, they are resolved in favor of our Funds. Certain instances of conflicts are:
  - a) Investee company also avails Marcellus' services (provided such investee company is holding more than 5% corpus in a Fund);
  - b) Any employee, director of Marcellus is a shareholder holding more than 2% of the paid-up capital of the investee company;
  - c) A nominee of Marcellus may be appointed as nominee director of the investee company; and
  - d) Allocating investment opportunities amongst the Funds and other mandates under Marcellus' care.
2. Marcellus is guided by its Conflict-of-Interest Policy in identifying and dealing with conflicts of interest situations. Key measures followed are as follows:
  - a) Transactions are entered into at arm's length with investee companies;
  - b) Rationale for voting of each shareholder resolution is recorded;
  - c) Employees, directors and covered persons can deal in securities, in accordance with Marcellus' Insider Trading Code;
  - d) Employees engaged in voting decision and sales team are segregated;
  - e) Employees/Directors are required to disclose interests in other entities;

### IV. Monitoring of Investee companies

1. Marcellus monitors the investee companies with the help of its proprietary screeners and market research. Marcellus shall apply different levels of monitoring in different investee companies as Investment Committee deem appropriate as prevailing situation and facts of the case.
2. The Investment Team monitors investee companies in respect of important aspects like:
  - 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 structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
  - e) Risks, including Environmental, Social and Governance (ESG) risks
3. The AIF Investment Committee is updated about the developments of our investee companies and the activities of the Investment Management team as deemed appropriate.
4. The Investment Management team uses publicly available information and primary data inputs, to monitor the investee companies. While dealing with investee companies, the Fund Management team/Research Team shall ensure compliance with SEBI (Prohibition of Insider Trading) Regulations;

5. Any team member who receives ‘unpublished price sensitive information’ needs to update Structured Digital Database, to ensure that such information handled as per Marcellus’s Insider Trading Code.

## V. Engaging with Investee companies

### 1. Intervention/Engagement policy:

Marcellus shall engage in the acts of omission and commission of all its Investee Companies. Marcellus shall intervene if, in its opinion any act of omission / commission of the investee company is considered as material on a case to case basis (and may potentially have negative impact on the Funds), including but not limited to insufficient disclosures, inequitable treatment of shareholders, breach of regulations which is in the nature of corporate governance, environmental non-compliance, ESG matters, related party transactions etc., performance parameters, corporate plans / strategy etc.

### 2. Manner of Engagement:

- a) The Investment Team shall be primarily responsible for leading the engagement or intervention efforts. The Investment Committee may be consulted for matters that investment team may wish to bring to its attention.
- b) Marcellus shall take all reasonable measures to engage with management of investee company to resolve any concerns, where the stake of the Funds is relevant vis-à-vis an investee company and can materially impact (negatively) the Funds/clients.
- c) Marcellus may consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.
- d) Escalation: In case there is no progress despite the first two steps, Investment Team shall escalate the matter to the respective Investment Committee. If the Investment Committee decides to escalate, Marcellus shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. Marcellus may also consider discussing the issues at the general meeting of the investee company.

Marcellus may not pursue any collective action with other investors, if Marcellus believes that:

- i. collective engagement is counter-productive than unilateral engagement;
- ii. interests of other investors are not aligned to Marcellus’ Funds
- iii. there is a need for confidentiality

## VI. Voting & Disclosure

1. **Voting and disclosure of voting activity:** At Marcellus, we consider shareholder voting to be an important shareholder right and a valuable tool in the engagement process and we endeavor to vote on all relevant resolutions of investee companies which are critical for protecting and enhancing the investor’s interests. There may be situations where due to non-availability of voting infrastructure at the custodians end, Marcellus is unable to vote for its Fund.
2. **Mechanism for voting:** The primary mode of voting shall be the e-voting route unless Marcellus believes that attendance at shareholder meetings is necessary and in such case it shall appoint proxy and/or attend through its representatives.

3. **Disclosure of Voting:** Marcellus shall record and disclose specific rationale supporting its voting decision with respect to each voting proposal received. Further, a report on such voting exercised shall be hosted on its website on a half yearly basis. Further on an annual basis a consolidated report shall be disclosed to the investors.
  
4. **Use of proxy voting advisors:** Marcellus uses services of Institutional Investor Advisory Services India Limited, a proxy voting advisory firm to assist in deciding on various matters that are put to vote by the investee companies. The scope of service for such mandate shall include providing voting recommendations for shareholders meetings and also to get access to the online voting platform to enable system-based review of recommendations, and instructions for casting of vote and maintaining records.

The recommendations of the proxy advisory firm will be non-binding and final decisions shall be taken by Marcellus considering the best interests of the Funds under its care.

## VII. Reporting of Stewardship Activities

Marcellus shall publish and report status of its stewardship activities including:

1. Data on voting matters
2. Situations and management of conflicts of interest, if any.

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