

BLUELOTUS CAPITAL ADVISORS LLP

STEWARDSHIP CODE

2020

1. Background and Purpose

BlueLotus Capital Advisors LLP (hereinafter referred to as “the Firm / Blue Lotus”) acting as an investment manager to the scheme of Blue Lotus Capital AIF Trust aims to achieve the Investment Objective of Schemes through process-oriented investment decisions.

The purpose of this Code is to cover the Policy framework and various processes that need to be followed for discharging Stewardship responsibilities and its disclosure by Blue Lotus.

2. Policy Statement

Mutual Funds and AIFs are significant institutional investors particularly in listed companies and so it is desired that they play an active role in the general meetings of investee companies and engage with the management at a greater level to improve their governance standards and practices. This will result in informed decisions by the parties and ultimately improve the return on investments of investors and protection of investor’s interest.

Therefore, based on the principle and SEBI direction, this Code is being formulated to implement a code for stewardship for Blue Lotus.

The Code aims to promote long term success and value creation of investee companies in a way that the ultimate providers of capital (the shareholders) also prosper, keeping in view the Governance Standards. Blue Lotus’s commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its investee companies, the investors and the economy as a whole benefit and minority interest also remains protected. Stewardship includes voting as well as monitoring and engaging with investee companies on matters such as strategy, performance, risk, capital structure and corporate governance and avoidance of conflict of interest.

This Code broadly requires Blue Lotus to follow below principles as regards its conduct at general meetings of the Investee Company and disclosures thereto:

3. Compliance with the Stewardship Code

Stewardship 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.

Stewardship responsibilities includes 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. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

Blue Lotus will ensure that the stewardship policy is comprehensive and will be followed in true spirit.

Policy Review: The Stewardship Policy will be reviewed and updated once every year and modifications, if any will be disclosed on the website of Blue Lotus.

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.

BLUE LOTUS does not have any subsidiaries or is not a associate of any listed company.

Hence, Blue Lotus believes the actions for company resolutions may not have direct conflict of interest. However, some of the key instances where conflict of interest could be –

- Blue Lotus may manage multiple funds in which case, the decisions taken for each fund may differ from other;
- Blue Lotus provides advisory services wherein a different advice could be provided depending upon the strategy and fund requirements
- Blue Lotus may avail advice from various industry advisory who may be key personnel or directors of the investee companies or advising on similar matters to other funds.

Blue Lotus will take necessary steps to resolve such conflict of interests & all the decision will be taken in the best interest of the investors. For more details, please refer Conflict of Interest Policy in Schedule I.

To manage the above conflicts of interest, Blue Lotus ensures that:

1. The employees in the investment teams shall comply with the Code of Conduct for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015.
2. The decisions in case of conflict of interest will be taken by 'Conflict of Interest' committee to be formed by Blue Lotus. The first committee consists of Mr. Harikrishnan Selvakumar, Mr. Nitin Goyal and the Compliance Officer.
3. Blue Lotus may consider abstaining from voting when Blue Lotus perceives conflict of interest.
4. If any partner or key personnel having potential conflict of interest, such partner or key personnel will not participate in investment decision making of any such investee company.
5. Rationale behind a new investment decision shall be recorded.

Principle 3

Institutional investors should monitor their investee companies.

Frequency and process to monitor the activities of Investee Company shall be annual at minimum. Investment team will be accountable for monitoring all the investee companies in which Blue Lotus invests.

The mechanism adopted for monitoring purpose will but not limited to:

- Publicly available information
- Management interaction through meetings/ con-call
- Broker research and inputs
- Industry information

Though most of the companies interact with institutional investors, in some cases, few of investee companies do not interact as management is not accessible or 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 is through other sources such as public available information, broker reports etc.

Key areas for monitoring include strategy and business outlook, financial performance, management evaluation, remuneration, corporate governance issues, related party transactions, board structure, capital structure, shareholder rights, risks including Environmental, Social & Governance etc.

Blue Lotus shall consider the regulations on insider trading and adjudication orders by SEBI/ BSE/NSE etc. while seeking information from the investee companies for the purpose of monitoring.

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

Strategy

Blue Lotus shall decide the engagement strategy based on internal research and/or institutional advisory services. Investee company's corporate actions such as merger and acquisition etc. may not be in minority investors' interest in some instances.

Active intervention in the Investee companies

Blue Lotus may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

Decision for intervention will be decided by Investment Team based on the disclosures, non-compliance to regulations, performance parameters, governance issues, corporate plans/ strategy, CSR etc. The investment in the company should be above the threshold level defined by the Investment team. However, the Blue Lotus can decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

First step: Interaction:

The call(s)/meeting(s) with investee companies are to be conducted in a confidential manner with a view to resolve the issue constructively. If dissatisfied with the response of the investee company, Blue Lotus will proceed to escalate the matter further.

Next step: Escalation

First level of escalation will be internally to investment head or committee, where further course of action will be decided which may include decision to divest or escalate the matter to regulatory authorities or collaboration with other investors,

In case there is no progress despite re-iteration through multiple interactions, the matter will be discussed at the Investment Committee of Blue Lotus for further escalation to the Board of Directors of the investee company. If the Investment Committee decides to escalate, the communication to the Board of the investee company should elaborate on the concerns.

Final step: Reporting to regulators/authorities

Despite escalation if there is no response or action taken by Investee Company, the Investment Committee may decide to report to the relevant regulator, authority or any Government body as may be required. In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions are to be conducted in private and confidential manner.

Collaboration with other Institutional Investors

In certain cases, engagement with the investee company management or the issues involved in resolutions needs to be voted upon by shareholders may impact all of investors. Collaboration with other investors could be the most effective manner to engage with the investee companies.

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.

It is only when we believe collaborative action would be an effective means by which investors can exercise appropriate influence; we will willingly initiate action or support other investors' actions.

Principle 5

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Blue Lotus has formulated a voting policy and the same shall be followed / adhered to for voting in Investee Companies. The Voting Policy is enclosed as Annexure B. The meetings organised by investee companies includes Annual General Meetings, Extra-Ordinary General meetings and any other meetings of members. Blue Lotus reviews resolutions and takes decision either to vote for, against or abstain. The summary of the major decisions of Blue Lotus are reported to unitholders in periodic reports annually and disclosed on website quarterly.

Principle 6

Institutional investors should report periodically on their stewardship activities.

Disclosures

Blue Lotus will disclose all the activities undertaken with respect to implementing this stewardship policy and discharging its responsibilities, on its website. Compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries. Effective oversight on the stewardship activities is to be reviewed for compliance with corporate governance code.

Blue Lotus shall furnish a report on an annual basis as per Annexure A, on the status of compliance with the Stewardship Code. The status report shall be placed before the Trustee should be uploaded on the website on or before 30th June every year. The reporting should be done under the principle of "comply or explain", the reasons for deviation or noncompliance with the Stewardship Principles should be provided in the report.

4. Responsibilities

Blue Lotus will monitor that the Policy is followed in true spirit. All investment team members will be updated about principles of the Code periodically.

5. Policy Review

The Stewardship Code is effect from July 1, 2020. Blue Lotus will have an internal committee of Partners to review various responsibilities to be adhered under this Code. The first committee consists of two Partners Mr. Harikrishnan Selvakumar, Mr. Nitin Goyal and the Compliance Officer. The Code will be reviewed once every year by the Committee and updated Code will be disclosed on website.

Annexure A

Format for annual reporting of compliance status of stewardship code

Name of AIF:

Period of Report (FY):

Status of Compliance with Stewardship Principles

Sr No.	
Particulars of Principles of Stewardship Code	
Status (Complied, Partly complied, Not complied, Deviation)	
Reason/ Justification for Partially complied/ noncompliance or deviation	

ANNEXURE B – VOTING POLICY:

Background:

BlueLotus Capital Advisors LLP ('Blue Lotus' or 'the Investment Manager') acts as an investment manager to the schemes of Blue Lotus Capital AIF Trust. The schemes primarily invest in listed equities carrying voting rights. These voting rights can be exercised through various means including attending meeting in person or through postal ballot or e-voting etc. This Policy sets out how the Investment Manager exercises voting rights on various resolutions of investee companies.

Objective of the Policy:

The Objective of the Policy is to exercise voting rights, be it voting or abstaining, in investee companies shall be in the best interests of unitholders of the Schemes. The Policy sets out types of resolutions require voting and the actions normally taken by the Investment Manager.

Nature of Resolutions / Matters:

Normally, the investee companies require approval of shareholders includes the following matters:

- Appointment / re-appointment of auditors and their remuneration
- Adoption of financial statements
- Appointment/reappointment of directors including Chief Executive Officer, Managing Director, Executive Directors etc.
- Remuneration to directors including Chief Executive Officer, Managing Director, Executive Directors etc.
- Remuneration to directors / key management personnel
- Related Party transactions
- Mergers, demergers, amalgamation and other corporate actions
- Payment of dividends
- Issue of bonus shares
- Changes in Objectives as per Memorandum of Association
- Alteration to Memorandum of Association or Articles of Association
- Corporate Social Responsibilities activities
- Any other matters which requires approval of shareholders as per Companies Act or under any Statue or through Agreements

General Principles of exercising Voting:

In respect of investee companies in which the Schemes holds less than minimum certain threshold limit, Blue Lotus may choose not to exercise voting. Blue Lotus segregates proposals which require approval of shareholders into Routine Matters and Other Matters.

Routine matters like a) Approving Balance Sheet & Profit and loss Account, b) Appointment of directors, c) Appointment of Auditor, d) Fixation of remuneration of Auditors/Directors may not be objected in the normal course unless and otherwise it adversely affects the interests of the unit holders.

Other matters like:

a) Merger, Demerger, Amalgamation and other corporate actions: Blue Lotus will review each proposal and may vote for if the proposal is expected to enhance equity shareholders' wealth, is carried out in a transparent manner, is within the applicable laws, rules and regulations of the country and does not otherwise adversely affect the interests of the unit holders of the schemes. In any other case, Blue Lotus will decide on a case to case basis.

b) Related party transactions: Blue Lotus will review proposals to check if such transactions protect the value of investment and accordingly decides voting.

c) Changes to capital structure: Companies raising capital for business growth will generally be supported if investment value of existing shareholders is not adversely affected.

d) Social and Corporate responsibility activities: Blue Lotus will normally vote for proposals for payment for performing social and corporate responsibility obligations which are within the laws of the land. However, any unusual/ higher payments will be opposed.

e) Appointment and Removal of Directors: Blue Lotus will continue to encourage having maximum number of professional, experienced and independent directors on the Board to ensure a high level of corporate governance in the investee company. Blue Lotus generally supports appointment of directors, who possess a good track record.

f) Changes in location of registered office of the company or any other matters including those as mentioned above that may affect the interests of shareholder, will be decided based on the factors including equity holding in the company, impact on investments made by schemes managed by Blue Lotus, adequacy of information, conflict of interest, protection of shareholders' interests.

g) Alteration to Memorandum of Association and Articles of Association: Blue Lotus favours proposals which will enhance shareholder value, compliance with all applicable laws, in the interests of unitholders of the schemes.

In addition to the above, depending on the nature of other proposed agendas which is not specifically covered above, Blue Lotus will take an appropriate view to protect the value of investment in the investee company. If required, Blue Lotus may consult other shareholders of the company in respect of the agenda/s proposed to be objected to protect the interests of unit holders.

Mode of Voting:

Blue Lotus or its authorised representatives may vote on various matters said above either by e-voting or physically attending meetings or voting through proxy.

Blue Lotus will generally follow the voting policy as detailed above, however, if the relevant facts and circumstances so warrant, it may act differently to protect the interests of its unit holders.