ABHI INCUBATION FUND

ABHI INCUBATION FUND PRIVATE LIMITED

POLICY ON CONTINUOUS MONITORING OF INVESTEE COMPANIES AND STEWARDSHIP CODE

ABHI INCUBATION ANGEL FUND

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The information contained in this document is confidential and intended solely for ABHI INCUBATION ANGEL FUND (the “Fund”), its employees and authorized representatives of the Fund and ABHI INCUBATION FUND PRIVATE LIMITED (the “Investment Manager” or “ABHI INCUBATION FUND”). Access to this document by anyone else is unauthorized. Any use, distribution, printing, dissemination, copying or other use of this document by any other person is strictly prohibited and may be illegal.

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1. INTRODUCTION AND BACKGROUND

Institutional investors across the world are expected to shoulder greater responsibility towards their clients / beneficiaries, commonly referred to as 'Stewardship Responsibilities'. The Securities and Exchange Board of India ('SEBI'), along with the Insurance Regulatory and Development Authority of India ('IRDAI') and Pension Fund Regulatory and Development Authority ('PFRDA') examined a proposal for introducing the stewardship principles in India, which was approved by a subcommittee of the Financial Stability and Development Council (FSD-SC). In this regard, SEBI vide Circular dated 24 December 2019 (the 'Circular') prescribed a 'Stewardship Code' which is required to be mandatorily followed by all categories of Alternative Investment Funds ('AIFs'), in relation to their investments.

The Stewardship Code came into effect from the financial year beginning 1 April 2020. ABHI INCUBATION FUND PRIVATE LIMITED is the Investment Manager of ABHI INCUBATION ANGEL FUND (“the Fund”), a Category I AIF. The Investment Manager has a fiduciary duty to act in the best interests of the beneficiaries of the Fund. This responsibility includes, inter alia, the discharge of the stewardship responsibilities, as laid out in the policy document below.

2. DISCHARGE OF STEWARDSHIP RESPONSIBILITIES

Every institutional investor should formulate a comprehensive policy on how it intends to fulfil the stewardship responsibilities mentioned in the Circular and disclose it publicly. A training policy for personnel involved on implementation of the principles is crucial and may form a part of the policy.

This Stewardship Policy document will serve as the Investment Manager’s policy to fulfil the stewardship responsibilities mentioned in the Circular. Further, this document will be reviewed and updated periodically by the Investment Manager, with public disclosure updated as and when the document is updated. As a part of the stewardship responsibilities, the Investment Manager shall monitor and actively engage with investee companies on various financial, operational and other matters like performance, corporate governance, strategy, risk identification and management, etc. This would entail tracking relevant news and updates such as financial results and corporate disclosures, regular interactions with the investee company management, relevant voting at shareholder meetings, representation to the board of directors if required, etc. These activities shall not be outsourced.

Furthermore, all employees of the Investment Manager shall be provided this document on joining, and on subsequent updates of the document. The Investment Manager shall review the Policy with all employees on induction and then annually to ensure that all aspects of the policy are understood by all the relevant personnel.

3. MANAGING CONFLICT OF INTERESTS

ABHI INCUBATION FUND will use the below set of principles and policies as a guide to handle conflicts of interests and may identify and add additional principles or processes from time to time as part of its strategy to mitigate / manage such situations.

i. PRINCIPLE OF PROPORTIONALITY

The principle of proportionality requires that the assessment of the conflict-of-interest includes the proportion of the impact of the conflict of interest; and any subsequent decision to avoid,

mitigate, or allow the conflicted transaction should keep the proportionality principle in consideration. The proportion is evaluated against the benefits of entering the conflicted transaction, and ABHI INCUBATION FUND may allow the conflicted transaction if the associated risks are mitigated and lowered to an acceptable level by applying some conditions before the conflicted transaction is allowed.

ii. PRINCIPLE OF FAIRNESS

The principle of fairness requires similar treatment for relevantly similar situations and different treatment for relevantly different situations. The fairness principle applies in two aspects as below:

Firstly, the Policy applies to all Interested Parties.

Secondly, situations that are similar in all ethically relevant ways be treated similarly, irrespective of who is involved in the situation. For example, the treatment given, or method followed to review a situation arising out of a transaction involving a temporary employee, should be like treatment given to the situation arising out of a transaction involving a member of the Investment Committee as long as the situation is relevantly similar. The Interested Party should not influence the mitigation / management process.

iii. TRANSPARENCY AND UTMOST GOOD FAITH

The parties undertake to be guided by and adhere to the principles of transparency and utmost good faith.

iv. FAVOURABLE TERMS HAD THERE BEEN NO CONFLICT

ABHI INCUBATION FUND will make efforts to see that any transaction involving a potential conflict of interest will be affected on terms that are no less favorable compared to the terms had the potential conflict had not existed.

v. ON AN ARM'S LENGTH BASIS

ABHI INCUBATION FUND will take appropriate measures intended to ensure that all conflicted transactions shall strictly be done on an arm's length basis.

4. MONITORING OF INVESTEE COMPANIES

Institutional investors should have a policy on continuous monitoring of their investee companies in respect of all aspects they consider important, specifying, inter-alia, the following:

- Different levels of monitoring in different investee companies
- Areas of monitoring
- Identification of situations which may trigger the communication of insider information and procedures adopted to ensure insider trading regulations and related internal policies are complied with in such cases.

ABHI INCUBATION FUND shall always act in the best long-term interests of the Fund's beneficiaries. Specifically, it shall continuously monitor the Fund's investee companies to minimize the risk and maximize the returns for the Fund's beneficiaries. ABHI INCUBATION FUND shall primarily use information that it receives from investee companies to monitor the business and the risk-reward of the Fund's investment. This information would be from various public sources, from the investee companies, their competitors, their customers/suppliers, their regulators (if any), etc. with sources of the information, inter-alia, including quarterly results, company disclosures, management interviews, etc. Monitoring shall be a continuous

process based on receipt of aforementioned information and additional analysis by ABHI INCUBATION FUND. Areas of monitoring include:

- Company strategy and performance – operational, financial, capital allocation decisions like capacity expansions or mergers and acquisitions, etc.
- Industry-level monitoring and possible impact on the investee companies
- Quality of company management, board of directors, leadership, etc.
- Corporate Governance including remuneration, structure of the board, related party transactions etc.
- Risks, including Environmental, Social and Governance (ESG) risks
- Shareholder rights, their grievances, etc.

ABHI INCUBATION FUND will be vigilant regarding insider trading information during the monitoring process. During the time taken for the investee company to disclose this information to the public, ABHI INCUBATION FUND shall not trade (buy or sell) any underlying security of the investee company, shall not convey the information to anyone else and shall abide with all other restrictions mandated by the relevant insider trading regulations. If the investee company is seen as non-cooperative with ABHI INCUBATION FUND's disclosure request, ABHI INCUBATION FUND will contact the relevant department within SEBI for further guidance, while still fully complying with all relevant insider trading regulations.

5. INTERVENTION IN INVESTEE COMPANIES

ABHI INCUBATION FUND shall always act in the best long-term interests of the Fund's beneficiaries. This would imply intervening in the Fund's investee companies when such interests are under threat. Since the Fund's investment strategy is to invest in companies with good promoters and management, it is likely that ABHI INCUBATION FUND will generally be a passive investor. However, when ABHI INCUBATION FUND believes that the long-term interest of an investee company's bondholders and/or shareholders, and hence of the Fund's beneficiaries, are being negatively impacted by the actions of the management team, then ABHI INCUBATION FUND would consider an intervention.

Circumstances for intervention may, inter alia, include poor financial performance, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigations, etc. An intervention would only be considered if the key underlying thesis of the investment remains true; if not, ABHI INCUBATION FUND may sell down the investment without any intervention. In other cases, the potential costs and benefits from an intervention would also be weighed against selling down the investment to be redeployed into a different investment chosen among the opportunities prevailing at that point in time.

As a first step of an intervention, ABHI INCUBATION FUND will convey the point of disagreement to the investee company's management to attempt a friendly resolution. If the outcome of such a step is unsatisfactory, ABHI INCUBATION FUND will raise the issue to the investee company's board of directors, especially independent board members. If the outcome of such a step is still unsatisfactory, ABHI INCUBATION FUND may collaborate with other institutional investors and large shareholders in the investee company to act together to convince the investee company's management and board of directors, and if required, to vote against management's decisions and appointments in subsequent annual general meetings, or whenever such resolutions are put to vote. If all modes of intervention fail, ABHI INCUBATION FUND may sell down the investment. ABHI INCUBATION FUND will regularly assess and review the outcomes of all such interventions with an intention to continuously improve the process for all future interventions.

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

Philosophy of Voting Policy

The Fund's investment approach inter-alia is generally to invest in companies that have acceptable standards of effective management, follow corporate governance norms and have sound fundamentals. Accordingly, as the decision to invest is generally an endorsement of sound management practices of the investee companies, the investment team may generally attend and/or vote with the management of the investee company on routine matters. However, when the investment team believes that the interest of the shareholders of an investee company will be prejudiced by any proposal, then the investment team will attend and/or vote against such proposal.

The investment team will review all voting proposals and will ensure that non-routine items such as change in the state of incorporation, merger and other corporate restructuring, change in capital structure, stock options, appointment and removal of directors, etc. are identified and voted in the manner designed to maximize value to the unit holders. Exceptionally, for such matters, the investment team may also decide to abstain from voting where it has insufficient information or a doesn't have a clear stance on the proposal or it feels the presented resolution is unlikely to have a material impact on unit holder value or there is a conflict of interest.

The investment team therefore may act as the relevant facts and circumstances so warrant. Hence, the investment team may deviate from this Policy when it determines that the deviation is necessary to protect the interests of the unit holders.

Mechanism of Voting

ABHI INCUBATION FUND is entitled to exercise the voting rights attached to the units of an investee company. The unit holders do not necessarily need to be physically present at the site of the investee company's annual general meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an e-voting system provided by entities such as NSDL, CSDL, etc. or by appointing a proxy.

Voting Procedure

The investment team's decision on unitholder resolution(s) shall be executed by casting votes through the e-voting facility or by physically attending the meeting or voting through proxy. However, in case the e-voting facility is not offered by any investee company or casting such vote through e-voting is not possible, any of the representatives of ABHI INCUBATION FUND or an externally authorized agency would be delegated the responsibility for exercising the physical votes.

Disclosure of Voting

ABHI INCUBATION FUND will disclose all voting done in respect of the Fund on annual basis to its investors within the timelines provided by SEBI. The disclosure will inter alia include:

- Meeting Date
- Name of the company
- Type of Meetings (AGM/EGM)
- Proposal's Description
- Vote (For/ Against/ Abstain)
- Brief Reason supporting the vote decision.

Use of Services of voting advisor

ABHI INCUBATION FUND will use its discretion to avail of the services of a proxy advisor, if it deems necessary, to aid in arriving at a decision for voting. However, the investment team will not be bound by the proxy advisor's recommendations, and they are permitted to use their discretion whether to rely and/or act on the suggestions / recommendations given by such proxy advisors.

6. REPORTING OF STEWARDSHIP ACTIVITIES

Institutional investors shall report periodically on their stewardship activities to their clients. Beneficiaries in the following manner:

- A report may be placed on a website regarding the implementation of every principle. Different principles may also be disclosed with different periodicities. Any update of this policy may be disclosed as and when done; and
- The report may also be sent as a part of annual intimation to the Fund's clients / beneficiaries.

Furthermore, a report of the stewardship activities as outlined in this document shall be prepared and shared once a year with the Fund's beneficiaries.

7. REVIEW AND UPDATION OF POLICY

The Policy shall be reviewed every year and shall be updated as necessary and shall be placed before the Board of ABHI INCUBATION FUND for its approval.

8. DISCLOSURE AND REPORTING

The Policy shall be disclosed on the website of AIF for the information of the unitholders.