

Craving Alpha Wealth Fund
(SEBI Registration No: IN/AIF3/24-25/1646)

Craving Alpha LLP
(Investment Manager)

Stewardship Policy

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1. Background

Craving Alpha LLP ('Craving' or 'Investment Manager') acts as the Investment Manager to **Craving Alpha Wealth Fund (the 'Fund' or 'AIF')** which has been established irrevocable determinate trust under the provisions of the Indian Trusts Act, 1882 ("**Trusts Act**") pursuant to the Indenture of the Fund. The Fund is registered with the Securities and Exchange Board of India ("**SEBI**") as a **Category III** Alternative Investment Fund ("**Cat III AIF**") under the SEBI (Alternative Investment Funds) Regulations, 2012 ("**AIF Regulations**"). The Fund has been registered as a Category III AIF with SEBI vide registration number **IN/AIF3/24-25/1646**

Securities Exchange Board of India (**SEBI**) vide Master Circular no. SEBI/HO/AFD-1-PoD/P/CIR/2024/39 dated May 07, 2024 has made it mandatory for Alternative Investment Funds (AIF) to follow the Stewardship Code in relation to their investment.

Craving is responsible, in its fiduciary capacity, to act in the best interests of its unit holders which, inter alia, include monitoring and engaging with the investee companies on behalf of the AIF. Craving believes that good corporate governance by portfolio companies driven by sound governance policies is in the best interests of our clients and will help to maximize the value of their investments.

The purpose of the Stewardship Code is to enhance the monitoring of investment in unlisted equities, and engagement with, the investee companies to improve the Corporate Governance practices with a view to protect and enhance the long-term wealth of unitholders. Through this stewardship policy the Investment Manager will be endeavoring to fulfill its objective.

Any material changes in the policy will also be approved by the partners of Craving and will be effective only post the approval of the changes.

2. Objective

Stewardship aims to promote the long-term success of investee companies in a manner that the ultimate providers of capital also prosper. Effective stewardship benefits investee companies, asset managers, investors and enhances the quality of capital markets.

The Stewardship Code is approved by the Partners of the Investment Manager on December 15, 2024. The Stewardship Code is formulated based on the stewardship principles as laid down by the SEBI time to time/ as amended.

- **Principle 1** - Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it, review and update it periodically.
- **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.
- **Principle 3** - Institutional Investors should monitor their investee companies.
- **Principle 4** - Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with

other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.

- **Principle 5** - Institutional Investors should have a clear policy on voting and disclosure of voting activity.
- **Principle 6** - Institutional Investors should report periodically on their stewardship activities.

3. **Compliance with the Stewardship Code**

Principle 1 – Stewardship Responsibilities

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

Stewardship activities on behalf of the Fund shall be undertaken by the Investment Team of Craving, which shall be responsible to ensure implementation of the Stewardship Code duly approved by the Partners of Craving. Investment Team will seek guidance from Investment Committee with respect to fulfilling the Stewardship Responsibilities. The Investment Committee shall be responsible for monitoring implementation of the Stewardship Code.

Craving as part of its investment portfolio invests in listed equities/securities of various investee companies to enhance the portfolio returns and diversify its investments. This policy aims to define the minimum levels of engagement required to be maintained with the investee companies. The engagement will be inclusive of and not restricted to:

- Review of periodical performance of the Investee Companies;
- Corporate Governance matters, merger/acquisition, other corporate restructuring;
- Changes in capital structure, including increases and decreases of capital, preferred stock issuances, buy-back, dividend etc.;
- Stock Option Plans and Other Managerial Compensation issues;
- Appointment and Removal of Directors, Statutory Auditors, etc.;
- Any other issue that may affect the interest of Shareholders.

The objective and purpose of the Fund is to carry on the activity of a Category III AIF and for this purpose to arrange, make, manage and dispose of investments with the view to providing returns / long term capital appreciation to the Contributors in accordance with Applicable Laws and the Trust Documents. The investment objective of the Fund is to generate long term capital appreciation/income by investing in a portfolio across asset classes including investment in Unlisted and listed portfolio companies. This approach is demonstrated in the Company's investment process set out below.

Investment Sector:

The Fund shall be sector-agnostic. All sectors may be considered for investment purposes, including, but not limited to, Consumer, Financial Services, Software, New age/High -growth Manufacturing, Energy transition and battery recycling.

Investment Size:

Within the limits prescribed under SEBI (Alternative Investment Fund) Regulations, 2012. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

Investment Review:

The Investment team of the Fund will actively review and revisit all of investments on an ongoing basis by attending calls/ conference conducted by the Investee companies, studying research reports published by Research Analyst, Independent research and forecast about the company performance on quarterly basis.

Liquidity:

As a process the Investment Team will recommend liquidation proposal to the Investment Committee to evaluate the liquidity of investments and seek to realize value from same in a prudent and orderly fashion.

Craving shall:

- a) in the investment process, in addition to financial and operational performance metrics, take into consideration the investee companies' policies and practices on environmental, social and corporate governance matters;
- b) be cautious in conducting stress test at investment level i.e. the impact of valuation of adverse changes in parameters, risk model validation, back test the assumption of the model and assumption of back tests;
- c) Limit investment to 25% or less of investible funds in any one investee company thereby diversifying project / company concentration risk;
- d) enhance shareholder/investor value through productive engagement with investee companies on various matters including performance (operational, financial, etc.), corporate governance (board structure, executive remuneration), material environmental, social and governance ("ESG") risk or opportunities, capital requirements and deployment, strategy, entering a new sector or jurisdiction, etc.;
- c) vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors;

- d) influence the development of corporate governance standards and corporate responsibility;
- e) be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime; and
- f) maintain transparency in reporting its voting decisions and other forms of engagement with investee companies;
- g) disclose its stewardship policy and activities to its shareholders/investors on a periodic basis

Stewardship responsibilities shall be discharged through:

- a) using resources, rights and influence available at their disposal;
- b) Attending investor calls and general meetings;
- c) endeavoring to have detailed discussions with the management and interactions with the investee company managements and boards;
- d) voting on board or shareholders' resolutions, with a view to enhance value creation for the shareholders/investors and the investee companies;
- e) advocating for responsible corporate governance practices, as a driver of value creation; and
- f) Intervening on material ESG opportunities or risks in the AIF's investee companies.

This policy on Stewardship responsibilities will be uploaded on the website of Craving and will be reviewed on annual basis.

Craving may use the services of institutional advisors to assist. The services of external agency may or may not be availed but the responsibility for steward activities shall lie with Craving only.

Principle 2 – Managing conflict of Interest

Craving maintains and operates effective organizational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest.

The term “**Conflict of interest**” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities.

Conflict of interest may arise in relation to the various activities carried out by contributors/unitholders, the Trustee, the Investment Manager or its Partners/KMPs. (collectively, the ‘**Interested Parties**’). vis-a-vis the activities of the AIF. Craving has adopted policies and procedures intended to protect the interest of the Investors in the AIF against any adverse consequences arising from potential conflicts of interest. Craving will continue to review all Stewardship Responsibilities and perform its duties in a responsible manner keeping in mind the best interests of unit holders, in line with the regulatory requirement.

Specific cases may be referred to the Investment committee, which will help in resolving any such conflicts in the best interest of unitholders.

All Investment Committee members and Investment team members involved in Managing the investment portfolio/ involved in implementing the stewardship code will strive to avoid conflict of interest. Following are the approaches of managing conflict of interest:

- a) The partners shall frame guidelines for dealing with conflict of interest.
- b) Investment decisions pertaining to the schemes of AIF should be in accordance with the investment objectives of the relevant schemes
- c) Investment of schemes assets in associates should be at arm's length, with proper rationale, within necessary regulatory limits and approvals, if any, required under the regulations
- d) Compliance department should maintain conflict of interest database and the investment team will co-ordinate with compliance department for reviewing the potential conflict while making investment decision.
- e) On an annual basis, every employee, officer and director of the AIF must submit a securities statement setting out the details of the securities of listed companies and unlisted companies held by him/her (including the securities held by his/her immediate relative) as per insider trading Code of Conduct of the Company.
- f) Rationale for voting on each shareholder resolution shall be recorded in the internal records.
- g) A clear segregation between the investment teams, voting functions and the Business Team shall be maintained.
- h) Business level conflicts shall be resolved on a case-to-case basis after factoring the relevant considerations.
- i) Conflicted employees, directors and officers will not be allowed to participate in the discussions and voting decisions / transactions in which they are interested

Principle 3 – Monitoring Investee Companies

The investment team carries out financial analysis of the investee companies, engages with the senior management/investor relations officials or any other management personnel/promoters of the investee companies as part of the research process that could lead to an investment in an investee company and once investment is made, the investment team continues to monitor each investee company.

Monitoring of investee companies is done with the aim of enhancing the medium-to-long term corporate value, capital efficiency and supporting the sustainable growth.

This includes monitoring the investments and measuring the portfolio's performance relative to the benchmarks. Report on investment performance is prepared on quarterly basis and portfolio plan is reviewed. the portfolio situation and goals determine if there have been any significant changes. The portfolio review then determines if the allocation is still on target to track the risk-reward profile. If it is not, then the portfolio can be rebalanced, selling investments that have reached their targets, and buying investments that offer greater upside potential.

A variety of factors, including non-financial ones are considered as relevant. Factors may include, for example, governance, strategy, performance, fundamentals, capital structure, and risk management (including how the companies address risks arising from social and environmental matters) of the investee companies. Investment team endeavor to identify at an early-stage issues that may result in a material loss in the value of investee companies.

Investment team strive to recognize the risks associated with Investee company businesses as the proactive identification, assessment, measurement and managing risk effectively is critical to the immediate and future success of the investment made by the Fund.

Investment team follows different levels of monitoring for different investee companies, areas of monitoring, mechanism for monitoring, etc. The Investment team makes sincere attempt to identify, assess, measure and then manage threats that could threaten the Fund's investments and then take appropriate steps in the interest of investors.

Investment team will decide the level of monitoring for companies depending on the investment in the company with respect to the total AUM of the AIF.

For the said monitoring process Investment Team will use publicly available information, and may be carried out through a combination of following –

- a) Interaction with Management through meetings, calls or emails.
- b) Preparation of periodic notes on the Companies.
- c) Information available in public domain.
- d) Research Reports on Company and/or Industry.
- e) Discussion with various stakeholders.

While endeavor would be to ensure at least one meeting is held with the investee company management in a year, there may 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 is being provided by the management. In such cases, it is possible that monitoring is done on best efforts basis with the help of other sources viz. report of research analyst.

Craving shall make timely and adequate disclosure to investors and concerned authorities as per the provisions of SEBI (AIF) Regulations for Alternative Investment Funds as may be required from time to time.

SEBI insider trading regulations will be followed while seeking information from the investee companies for the purpose of monitoring.

Principle 4 – Intervention in Investee Companies and Collaboration with Institutional Investors

Craving may intervene on case-to-case basis if it feels that its intervention is required to protect the interest of the contributors/unitholders. Such intervention may be on standalone basis or along with collaboration with other institutional investors.

Situations, which require intervention from time to time, may include but not limited to matters like

- a) Poor financial performance of a company,
- b) Issues relating to corporate governance,
- c) insufficient disclosures,

- d) Inequitable treatment of shareholders,
- e) non-compliance to regulations,
- f) performance parameters,
- g) governance issues,
- h) remuneration and composition of Board,
- i) leadership issues,
- j) Lawsuits/litigation,
- k) corporate plans/ strategy,
- l) CSR and environment related matters.
- m) Any other important issue

Decision on active intervention, as detailed below, would be taken by the Investment Committee in respect of the investee companies. In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless there are other factors which warrants intervention.

In case of issues of serious nature, the Investment Committee may decide, for rationale to be recorded in writing

The procedure which may be undertaken for intervention is as follows:

- a) **Communication:** If concerns regarding an investee company's approach or decisions arise, initial discussions would, if appropriate, take place on a confidential basis and where possible as part of fund manager's ongoing discussion.
- b) **Engagement:** Sending letters to individual investee companies, 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.
- c) **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns within a reasonable timeframe, the Investment Manager may take all reasonable steps to re-engage with the management to resolve its concerns.
- d) **Collaboration:** The Investment Manager may also consider collaboration with other institutional investors, professional associations, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.
- e) **Escalation:** In case there is no progress despite the above four steps, the Investment Manager may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, the Investment Manager may take appropriate steps to resolve the concerns including exiting its investments.
- f) **Voting:** The Investment Manager may vote against or abstain from voting in case the governance practices of the investee company are improper.
- g) **Legal Recourse:** The Investment Manager may take a legal recourse against a company if deemed necessary instead of exiting its investment.

Craving decision to engage is a result of a number of factors. Those companies in whom a significant investment is held and in which the fund manager intends to maintain a holding for the long-term are considered high priority engagements, together with those where a reasonable probability is believed that the investee company's management team will enter into constructive dialogue with us. In all cases of engagement with the management and / or the Board of Directors of the investee company, all communications and discussions should be conducted in private and confidential manner.

Principle 5 – Policy on Voting

Craving is duty bound to protect and enhance the wealth of its contributors/unitholders and to improve governance of the investee companies, Craving's voting decisions in the investee companies are taken after an in-depth, detailed analysis and fact finding. We have a comprehensive voting policy which includes details of mechanisms of voting, circumstances in which voting should be for/ against/ abstain, disclosure of voting, etc.

Craving voting policy inter-alia includes:

1. Mechanisms of voting (e.g. e-voting, physically attending meetings, voting through proxy, etc.)
2. Voting Guidelines
3. Disclosures of voting etc.

Principle 6 – Reporting

Craving shall report to its contributors/unitholders periodically on its stewardship activities in the following manner:

- a) A report may be placed on website on the implementation of every principle, as per *Annexure – A*.
- b) Different principles may be disclosed with different periodicities. E.g. Voting may be disclosed on a quarterly basis while implementation of conflict-of-interest policy may be disclosed on an annual basis.
- c) Any updation of policy on the website be done as and when policy is updated.
- d) The report may also be sent as a part of the annual intimation to our beneficiaries.

4. Ownership

The policy is owned by the Investment Team of Craving, which would monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose. Investment Team will provide its decisions and recommendations (along with supporting documents) to Investment Committee or Management on timely basis, on the stewardship related issues referred to them.

Annexure – A Format for annual reporting of compliance status of stewardship code

Sr. No.	PRINCIPLES OF STEWARDSHIP CODE	STATUS (COMPLIED, DEVIATION, PARTLY COMPLIED, NOT COMPLIED)	COMMENTS