

Stewardship Code

NJ Mutual Fund

Introduction:

Introduction SEBI vide its circular no. CIR/CFD/CMDI/168/2019 dated December 24, 2019 (“SEBI circular”) has mandated all Mutual Funds and Alternative Investment Funds to frame Stewardship Code in relations to their investments in listed equities. NJ Asset Management Private limited (the AMC) is asset management company for schemes of NJ Mutual Fund registered under SEBI (Mutual Funds) Regulations, 1996.

Stewardship code is applicable to the Mutual Fund activities undertaken by the AMC. This Code documents the guiding principles to be adopted and followed by the Equity Investment team (members of Investment team to whom this role has been assigned) (hereinafter referred to as “Investment team”) of the AMC and this Code will be referred to as the 'Stewardship Code'.

The Code is prepared on the basis of principles enumerated in the said SEBI circular. The Code shall act as guidance to the Investment team for discharging the stewardship responsibility, however, this code is not intended to curtail / restrict the fund management activities of the AMC. The Investment team shall always be at liberty to decide their dealing strategies, keeping in mind the investment objectives of the scheme and for the best interest of the schemes and investors.

The Board has authorised STEWARDSHIP COMMITTEE to carry out any changes in the Stewardship Code followed by ratification by the Board of the AMC and NJ Trustee Private Limited (the Trustee Company of NJ Mutual Fund).

Stewardship code should be read in conjunction with the Voting Policy of NJ Mutual Fund.

Key Principles adopted in our Code are as follows:

Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

The Board of Directors of the AMC have approved the terms of reference for the STEWARDSHIP COMMITTEE (“Committee”) for discharging the Stewardship obligations. The Committee will set a threshold level primarily based on the materiality of the issue and the size of our exposure to the individual investee company, beyond which the exposure to the investee company will be deemed to be ‘meaningful’.

The threshold level will help in determining the level of engagement, monitoring and intervention with the investee company. The Committee is empowered to modify the meaningful threshold level, as it deems appropriate. The Committee is also entrusted with the power to engage or use the services of any external service providers to support the Committee in discharging its stewardship responsibilities. In case the Committee engages an external agency, scope of its services that it proposes to avail will be specified along with the mechanism to ensure that in such case, stewardship responsibilities are exercised properly and diligently. However, the Committee may use its discretion to rely and/or act on the suggestions/ recommendations given by such external service provider(s). The Committee will also be responsible for reviewing the code every year and / or whenever any changes are to be incorporated in the Code due to any amendment in the guidelines by SEBI for mutual funds in India or as may be felt appropriate by the Committee and recommend the same for approval/ratification of the Boards of the AMC and Trustee Company.

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.

The AMC is part of a diversified financial services group with many affiliates and related companies. From time to time, we may face conflicts of interest in relation to our stewardship responsibilities. However, our approach will always be to keep in mind the interest of our investors uppermost. Conflicts of interest are an inherent risk in our business and the NJAMC, therefore, has procedures and policies in place so that clients are treated fairly and material conflicts of interest are either avoided or are managed to avoid damage to a client’s interests. As a rule, in all cases of conflicts of interests, the voting decisions of the AMC will be based on the best interests of the investors.

A conflict arises where the interests of the AMC, or a director, or any Staff, or any vendor / service provider or another client are not or might not be aligned with the interests of a client.

There may be a potential conflict in instances where the AMC deals with its group entities, or when the concerned investment team member hold stocks of investee companies while dealing with such companies on behalf of AMC.

The voting for investee companies by the AMC may, in some cases, have a potential conflict with the interest of clients. Potential new conflicts of interest, wherever observed, are raised and discussed promptly with senior management and in case of significant issues gets escalated to the Committee.

The decisions of the Investment Committee are documented and maintained by the AMC.

To avoid conflict of interest, following procedures have been put in place

- i. The voting decision will be guided by the approved voting policy, which is published on our website.
- ii. There is a clear segregation of voting function and sales function / client relations.
- iii. The situation wherein the conflict of interest is not covered by the voting policy, decision on such instances will be taken on a case to case basis by the Investment Committee in consultation with STEWARDSHIP COMMITTEE, if required.
- iv. Segregation of Software and systems (to the extent possible) for different businesses.

Principle 3: Institutional investors should monitor their investee companies.

The investment by the Schemes of NJ Mutual Fund shall be based on the 'Rules' and hence Fund Manager has no discretion / active involvement in selecting the stock. Hence the level and degree of monitoring / engagement may vary depending upon the materiality of investments. The specific thresholds defining large, passive holding etc. will be determined by the STEWARDSHIP COMMITTEE and may get updated from time to time

The Insider Trading Policy is established to control in dealing where a person comes into possession of unpublished price sensitive information ("UPSI") of the investee companies. Under this framework, detailed controls and processes are specified to be followed in case any person is in possession of UPSI. We do not pursue or seek for UPSI, however, if we are in receipt of UPSI, we shall follow our internal process as outlined in Insider Trading Policy. Investment team has to strictly adhere to the Insider Trading Policy.

Principle 4: Institutional investors should have a clear policy on intervention in their investee companies.

At NJAMC, the stock selection in the equity segment will be the basis of the 'Rule' and there will be no discretion /active involvement of the Fund Manager in stock selection. If the investment is beyond the meaningful threshold, the Investment team may deem it necessary to escalate the engagement/intervention on a particular issue. The tactical aspects of the intervention will be determined on a case to case basis by the STEWARDSHIP COMMITTEE.

In case the Mutual Fund's intervention is not successful (either fully or partially), it will not automatically result in the Mutual Fund being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of the Mutual Fund's investment in the investee company shall be the basis of the 'Rules', defined by the AMC.

We review collaborative engagements on a case-by-case basis to ensure that the objectives of such engagements are aligned with our policies and investment objectives. The NJAMC can work with other institutional investors, either bilaterally or through industry forums such as AMFI or other such forums or group. In taking collaborative action, we would be cognizant of legal and regulatory requirements, including on market abuse, insider dealing, persons acting in concert as per SEBI takeover regulations.

Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity.

NJAMC will follow the 'Voting Policy' approved by the Board of Directors of AMC and Trustee Company.

Principle 6: Institutional investors should report periodically on their stewardship activities.

Disclosure and Reporting This Stewardship Code and amendment thereto, shall be disclosed on the website (www.njmutualfund.com). Any amendment or modification to this Stewardship Code shall be disclosed on the website. The AMC shall periodically place a report on its website on implementation of principles of Stewardship Code. The report may also be sent as a part of annual intimation to unitholders. Further, The AMC notes that the compliance with the Stewardship Code does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when it is in the best interest of unitholders.

Disclosures on the votes cast by the AMC for all the resolutions put forth by the investee companies for shareholders' approval will be published on quarterly basis, as required by prevailing SEBI guidelines.
