

INVESCO MUTUAL FUND

STEWARDSHIP CODE

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Preamble

The Securities and Exchange Board of India (“**SEBI**”) has long since mandated mutual funds to vote on shareholder resolutions. Further the Insurance Regulatory & Development Authority of India (“**IRDA**”) on March 22, 2017 prescribed stewardship principles to be adopted and implemented by the insurers. Insurers were required to adopt a policy based on the Stewardship Principles on or prior to September 21, 2017. The Kotak Committee on Corporate Governance recommended that as the capital market regulator, SEBI must outline stewardship principles for institutional investors. Accordingly, SEBI issued circular on December 24, 2019 on Stewardship Code for all Mutual Funds (“**SEBI Circular**”). The SEBI Circular lists out the stewardship principles to be adopted by Mutual Fund (“**Stewardship Principles**”) and requires them to adopt a stewardship code based on such principles to be applicable with effect from **July 1, 2020**.

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.

Invesco’s Philosophy on Stewardship and Sustainable Investing

Invesco Asset Management (India) Pvt. Ltd. (**‘IAMI’**) is an investment manager to Invesco Mutual Fund (**‘Invesco MF’**). Invesco MF offers various investment products across different assets classes to suit the requirements of different classes of investors and manage the funds under the schemes of Invesco MF.

IAMI is wholly owned subsidiary of Invesco Hong Kong Limited which in turn is indirectly wholly owned subsidiary of Invesco Ltd. (**‘Invesco’**).

Invesco, a leading global independent asset manager, is committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients.

Invesco was amongst the first to adopt Environmental, Social and Governance (**‘ESG’**) framework and responsible investment and has engaged in those activities globally for more than 30 years. Invesco signed the UN sponsored Principles for Responsible Investment in 2013 thereby formalizing our commitment to responsible investment globally and have been consistently rated well on these aspects. We serve our clients in this space as a trusted partner both on specific responsible investment product strategies as well as part of our commitment to deliver a superior investment experience.

IAMI stewardship philosophy is closely aligned with that of our parents and our stewardship activities are also aimed at long term value creation in our investee companies. We too believe that companies, which, apart from delivering good financial performance, also act in a sustainable way towards the environment, society and all its stakeholders, are likely to be more resilient and ultimately benefit both the shareholders and the society at large.

Continuing with this philosophy and based on the principles prescribed by SEBI, IAMI has adopted this Stewardship Code (**‘Code’**). The Code is approved by the Board of IAMI & Invesco Trustee Pvt. Ltd. at their respective board meetings and will be effective **July 1, 2020**.

The Code lays down the guiding principles which will govern our engagement with our activities, inter-alia, monitoring of the investee companies, engagement with investee companies, the way IAMI exercises its voting rights in investee companies and disclosure of voting. Such activities are commonly referred to as **‘Stewardship Responsibilities’**. This Code should be read in conjunction with Voting Policy, which is available on our website, www.invescomutualfund.com.

1. **Key Stewardship Responsibilities**

1.1. **Primary Stewardship Responsibilities:**

IAMI shall:

- a) in the investment process, in addition to financial and operational performance metrics, take into consideration the investee companies' policies and practices on ESG matters;
- b) enhance shareholder / investor value through productive engagement with investee companies, their board of directors and their management, on various matters including performance (operational, financial, etc.), corporate governance (board structure, executive remuneration etc.), material 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) endeavor to analyze, monitor, assess and integrate ESG related risks and opportunities as part of its approach to stewardship;
- e) disclose its stewardship policy and activities to its shareholders / investors on a periodic basis.

1.2. **Discharge of Stewardship Responsibilities:**

IAMI shall discharge its stewardship responsibilities through:

- a) Using resources, rights and influence available at its disposal;
- b) Discussions with the management and interactions with the investee company boards if needed;
- c) Voting on all matters mandated by SEBI with a view to enhance value creation for the shareholders / investors and the investee companies;
- d) Taking a stance on material ESG opportunities or risks in investee companies.

1.3. **Responsibility for oversight of the stewardship activities:**

Stewardship activities shall be undertaken by the Equity Investment Team (**'Investment Team'**), which shall be responsible to ensure implementation of the Code. The Investment Committee of IAMI is empowered to provide guidance on stewardship matters, establish guidelines and procedures as it may consider necessary and is responsible to ensure that these guidelines and procedures are adhered to and also make changes in the Policy as may be required from time to time.

Broad guidelines for functioning of Investment Committee pertaining to stewardship matters are:

1. Investment Committee to meet at a reasonable frequency to discuss Stewardship related matters;
2. Decisions of Investment Committee on stewardship related matters will be maintained by compliance;
3. Details of any material decisions pertaining to Voting / ESG matters taken by the Investment Team will be presented to the Investment Committee.

The Investment Committee of IAMI (**'Committee'**) shall ensure that there is an effective oversight of the IAMI's stewardship activities. IAMI will conduct training on an annual basis, for the personnel involved in implementing the Stewardship Principles. This may include circulation of updated stewardship policy document, other reading materials, holding internal / external

sessions on Stewardship Principles and reviewing best practices. Relevant inputs from Invesco's Global Stewardship and ESG teams may also be disseminated to Investment Team.

1.4. Disclosure of Stewardship Activities:

IAMI discloses its voting on management / shareholder resolutions of investee companies on a quarterly basis and shall will also disclose other relevant aspects pertaining to the remaining principles on an annual basis.

1.5. Disclosure and Periodic Review of Stewardship Code:

This Stewardship Code will be disclosed on the website of Fund, www.invescomutualfund.com. The Stewardship Code shall be reviewed annually and updated accordingly. In addition to annual review, the Investment Team will amend / modify the Code to incorporate the changes due to any regulatory changes in MF regulations or amendments to the Stewardship principles by SEBI or as may be felt necessary by the Investment Team. The amended Code will be approved by the Investment Committee and then placed before the Board of IAMI and Invesco Trustee Pvt. Ltd. for ratification. The amended Code will be disclosed on the website of the Fund.

1.6. Use of external entities / advisors to support stewardship activities:

IAMI may use the services of external entities like proxy advisory services vendors, advisors to support its stewardship activities. Under such circumstances, IAMI will disclose the nature and extent of its relationships with such advisors. However, the recommendations of the third-party agencies will be non-binding in nature.

2. Managing Conflict of Interest

2.1. 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. A conflict of interest exists where the interests or benefits of IAMI (including its employees, directors, officers) conflict with the interests or benefits of its shareholder / investor or the investee company.

2.2. Avoid conflict of interest:

The Investment Team which is responsible in discharging Stewardship Responsibilities shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In case they need further guidance / direction, the matter may be referred to the Investment Committee for its guidance.

2.3. Identifying conflict of interest:

While dealing with investee companies, IAMI may be faced with a conflict of interest, *inter- alia*, in the following instances, where:

- a) IAMI and the investee company are associates or are part of the same group;
- b) Investee company holds a material ownership interest in IAMI;
- c) Investee company is an entity participating in the distribution of investment products advised and/ or managed / administered by IAMI and / or any of its associates / group companies;
- d) Investee Company is a client of Investment Manager and / or of its affiliates / associates / group companies;
- e) any of the group companies or associates of IAMI is a vendor or partner of the investee company;

- f) a nominee of IAMI has been appointed as a director of the investee company or there is cross-directorships.

2.4. **Manner of managing conflict of interest:**

- a) The interests of the clients / beneficiaries will take precedence over the interests of IAMI (and its employees, directors and officers). Therefore, IAMI will vote / take decisions on stewardship matters in the best interests of its clients / beneficiaries.
- b) The voting related decisions will be guided by the approved Voting Policy.
- c) There is a clear segregation of voting function and client relations / sales function.
- d) In case there is a need for further direction, the matter will be referred to the Investment Committee for its guidance.
- e) The person(s) having any actual / potential conflict of interest in the transaction will have to recuse from decision making and will not be allowed to participate.
- f) Record of minutes of decisions taken to address the actual or potential conflict of interest will be maintained and submitted to Investment Committee for its noting.

3. **Monitoring of Investee Companies**

- 3.1. IAMI shall monitor their investee companies and shall do so based on company to company, depending on investment size, areas of monitoring required and appropriate mechanism involved.

3.2. **Manner of Monitoring:**

- a) The Equity fund management team (Investment Team) will be primarily responsible for monitoring of the investee companies' business strategy and performance, industry risk and opportunities, impact the investee companies make, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance including remuneration, structure of the board (including board diversity, independent directors etc.), related party transactions etc.
- b) IAMI may use publicly available information, sell side research and industry information and shall engage with the investee companies' investor analyst calls at least once in a year, to monitor the investee companies.
- c) While endeavor would be to ensure at least one meeting with the investee company in a year, there can 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 which is being provided by the management. In such cases, it is possible that the monitoring is through other sources.
- d) Monitoring on areas like Social and environmental issues will be based on availability of data and on a best effort basis.
- e) While dealing with the investee companies, our endeavour is not to seek any Unpublished Price Sensitive Information ('**UPSI**') / Material Non-public Information ('**MNPI**') and we will rely on publicly available information / disclosures to stock exchanges. IAMI has laid down Personal Trading Policy to monitor / regulate transaction in securities by its employees and also a Code for Prohibition of Insider Trading on how to handle UPSI / MNPI. While dealing with the investee company if we come into possession of any UPSI / MNPI, then we will follow our internal code to handle such information.

3.3. **Risk analysis**

IAMI will use its own proprietary investment and ESG Guiding framework to identify, grade and prioritize investee companies for further analysis and engagement, on material ESG issues if any. IAMI may also use third party reports and supplementary material to arrive at decisions.

3.4. IAMI may not actively monitor companies which are held exclusively in the arbitrage fund and in its passively managed strategies.

4. **Active Intervention in the Investee Company and collaboration with other institutional investors**

4.1. **Applicability:**

- a) IAMI 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.
- b) IAMI shall intervene in the acts / omissions of an investee company in which it holds greater than 1% of the share capital of the investee company or more than 1% of its AUM of actively managed strategies (determined based on investment holdings on a trailing quarterly basis).
- c) IAMI shall intervene if, in its opinion any act / omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, material ESG issues, leadership concerns, related party transactions, corporate plans / strategy, CSR, litigation or any other related matters.

4.2. **Intervention by IAMI:** The decision for intervention shall be decided by the Investment Team or Investment committee based on the following broad parameters:

- a) IAMI shall not generally intervene if the threshold is below the prescribed level or if investment is already earmarked for divestment.
- b) IAMI may consider intervening in matters below the thresholds, if in the reasonable opinion of the Investment Team or Investment Committee, the issue involved may adversely impact the overall corporate governance atmosphere or the Fund's investment.

4.3. IAMI's intervention and escalation policy is as follows:

- a) **Engagement:** Investment Team shall take all reasonable steps to engage with the investee company's management to resolve any concerns of IAMI including steps to be taken to mitigate such concerns.
- b) **Re-engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by IAMI within a reasonable timeframe, it shall take all reasonable steps to re-engage with the management to resolve the its concerns.
- c) **Escalation:** In case there is no progress despite the first two steps, IAMI shall escalate the matter to the Investment Committee. If the Committee decides to escalate it further, the IAMI shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. IAMI may also consider discussing the issues at the annual general meeting of the investee company (either called by the investee company or requisitioned by IAMI) and voting against the relevant matters.
- d) In extreme cases, the Investment Team shall consider other intervention mechanisms such as (i) expressing their concern collectively with other investors or through mutual funds associations; (ii) submitting shareholders' resolution or voting against decisions etc.; (iii) submitting one or more nominations for election for shareholder director to the board as appropriate and convening a shareholders meeting; (v) seeking governance

improvements and / or damages through legal remedies or arbitration; and (vi) exit or threat to exit from the investment.

- e) **Reporting to the Regulators:** If there is no response or action taken by the investee company despite the first four steps, IAMI may approach the relevant authorities like SEBI or consider taking legal actions.

In case IAMI's intervention is not successful (either fully or partially), it will not automatically result in the Fund being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of IAMI's investment in the investee company shall be made by the Investment Team, which may consider the outcome of the intervention as an input in its decision-making process. During this process, if the scheme decides to exit the stock, the minimum cooling-off period to reinvest will be 30 calendar days (from the date of sale), irrespective of any remedial action undertaken by the investee company within the said 30 calendar days.

4.4. **Collaboration with other institutional investors:**

- a) IAMI may consider collective engagement with other institutional investors on a general basis and in particular when it believes a collective engagement will lead to a higher quality and / or a better response from the investee company. IAMI may approach, or may be approached by, other Asset Managers, including insurers, mutual funds, or other type of shareholders to provide a joint representation to the investee companies to address specific concerns.
- b) IAMI may also, where permitted, collaborate with other institutional investors, professional associations such as Association of Mutual Funds in India, General Insurance Council of India, Life Insurance Council, General Insurers' Public Sector Association, proxy / voting advisory firms, regulators such as SEBI, Pension Fund Regulatory and Development Authority, IRDA, and other policy makers to solicit views.

4.5. An illustrative list of matters which require collaborative engagement may include appointment or removal of directors, executive remuneration, change in the nature of business, mergers and acquisitions, divestment, matters dealing with inequitable treatment of the shareholders and related party transactions.

4.6. IAMI shall maintain record of intervention and collaboration activities which may be periodically reviewed by the Investment Committee. IAMI reserves the right to disclose this information to investors / appropriate authorities.

4.7. IAMI understands that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the institutional investor to sell a holding when it is in the best interest of clients or beneficiaries.

5. **Voting and disclosure of voting activity**

5.1. Voting decisions shall be made in accordance with IAMI's voting policy, which is available on our website i.e. <https://invescomutualfund.com/about-us?tab=Statutory>.

5.2. As per the requirement of our voting policy, IAMI shall disclose details of voting activity on its website on a quarterly and annual basis in the prescribed format. Further details of voting and copy of certificate of scrutinizer will also be included in the annual report of schemes of the fund sent to the unit holders. Further, summary on actual exercise of votes cast and its break-up in terms of total number of votes cast in favour, against or abstained will also be uploaded on the website on an annual basis.

6. **Reporting of Stewardship Activities**

- 6.1. IAMI will disclose periodically on how they have fulfilled their stewardship responsibilities as per their policy.
- 6.2. IAMI will report relevant aspects on each principle annually. While voting will continue to be reported separately on a quarterly basis, the rest of the principles will be reported annually.
- 6.3. IAMI shall report periodically on their stewardship activities in the following manner:
 1. Voting related data would be disclosed on quarterly and annual basis.
 2. Other relevant aspects pertaining to Stewardship principles will be disclosed on an annual basis which may include matters like summarized records of meetings / concalls held with investee companies, specific engagements (if any) on an annual basis etc.
 3. The report may also be sent as a part of annual intimation to its clients / beneficiaries.