

TaS WASH and Waste Fund

A scheme under Zero Poverty Ventures India Funds
Category II Alternative Investment Fund

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TaS WASH and Waste Fund

STEWARDSHIP POLICY

Version 1

Approved by the Board of Directors of Yunus Social Business Fund Bengaluru Private Limited (Investment Manager of TaS WASH and Waste Fund) on 06th February 2016



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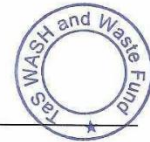
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Table of Contents

1. OVERVIEW OF THE FUND	3
2. OBJECTIVES OF THE POLICY.....	3
3. SCOPE OF THE STEWARDSHIP POLICY.....	3
4. KEY PRINCIPLES OF STEWARDSHIP #1: MONITORING AND INTERVENTION POLICY FOR INVESTEE COMPANIES	4
A) LEVELS OF OVERSIGHT	4
B) AREAS OF FOCUS	4
C) MONITORING AND INTERVENTION MECHANISMS	5
D) COMPLIANCE WITH INSIDER TRADING REGULATIONS.....	5
E) COLLABORATION WITH OTHER INVESTORS	6
F) OUTCOME ASSESSMENT.....	6
G) EXCEPTIONS TO ACTIVE OVERSIGHT	6
5. KEY PRINCIPLES OF STEWARDSHIP #2: VOTING RIGHTS POLICY	6
A) MECHANISMS OF VOTING	6
B) INTERNAL MECHANISMS FOR VOTING:.....	7
C) DISCLOSURE OF VOTING ACTIVITIES	7
D) ENGAGEMENT WITH PROXY ADVISORS	7
E) VOTING GUIDELINES.....	7
6. KEY PRINCIPLES OF STEWARDSHIP #3: MANAGING CONFLICTS OF INTEREST	8
7. KEY PRINCIPLES OF STEWARDSHIP #4: REPORTING AND TRANSPARENCY...9	
A) REPORTING MECHANISMS.....	9
B) SCOPE OF REPORTING	10
8. COMPLIANCE AND LIMITATIONS	10
9. REVIEW OF THE POLICY	10



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1. OVERVIEW OF THE FUND

The **TaS WASH and Waste Fund** ('the Fund') is registered as a Category II Alternative Investment Fund ("AIF") with the Securities and Exchange Board of India ("SEBI") under Registration No: IN/AIF2/23-24/1377. The Fund is a scheme of **Zero Poverty Ventures India Funds**, established as a trust under the Indian Trusts Act, 1882, and governed by the SEBI (Alternative Investment Fund) Regulations, 2012 ("AIF Regulations").

The Fund is managed and sponsored by **Yunus Social Business Fund Bengaluru Private Limited** ("Sponsor" or "Investment Manager" or YSBFB"). **Axis Trustee Services Limited** serves as the Trustee. The Fund focuses on investing in Small and Medium Enterprises ("SMEs") in India's **WASH and Waste Sectors**, including drinking water, sanitation, hygiene, and solid waste management, with a mission to generate social and environmental impact alongside financial returns.

2. OBJECTIVES OF THE POLICY

The key objectives of this policy are:


- a) **Integration of Responsible Investment Practices:** Align the Fund's activities with principles of sustainability, governance, and ethical decision-making.
- b) **Promotion of Corporate Governance:** Enhance corporate governance among investee companies to ensure compliance with laws, regulations, and ethical standards.
- c) **Risk Mitigation:** Proactively identify and address financial, operational, and reputational risks in investee companies.
- d) **Incorporation of ESG Considerations:** Embed environmental, social, and governance (ESG) factors into investment and engagement processes, particularly in sectors with significant social impact.
- e) **Commitment to Transparency:** Ensure open communication and accountability with stakeholders, including investors, regulators, and the public, by fostering transparency in decision-making and operations.

3. SCOPE OF THE STEWARDSHIP POLICY

This stewardship policy applies to all aspects of the Fund's operations and investments. It covers the monitoring, engagement, and governance activities related to the Fund's investee companies. The policy also governs the Fund's internal decision-making processes, including the exercise of voting rights, management of conflicts of interest, and reporting obligations. It extends to all entities involved in the Fund's operations, including the Sponsor, Investment Manager, and Trustee, ensuring a unified approach to stewardship.



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4. KEY PRINCIPLES OF STEWARDSHIP #1: MONITORING AND INTERVENTION POLICY FOR INVESTEE COMPANIES

The TaS Wash and Waste Fund is committed to maintaining robust oversight of its investee companies to safeguard investor interests, ensure alignment with its objectives, and uphold financial sustainability and social impact. This policy integrates mechanisms for monitoring and intervention, emphasizing performance, governance, strategy, and risk management, including Environmental, Social, and Governance (ESG) considerations.

a) LEVELS OF OVERSIGHT

The Fund applies differentiated oversight practices based on the significance of its investment and the strategic importance of each investee company:

- i) **High-Exposure Companies:** Frequent and detailed engagement, including regular meetings with management, operational and financial reviews, and participation in shareholder meetings.
- ii) **Moderate-Exposure Companies:** Regular updates on financial performance, governance, and strategic direction through periodic reviews and interactions with management.
- iii) **Low-Exposure Companies:** Limited to periodic reviews of publicly available information, proportionate to the investment's materiality.

b) AREAS OF FOCUS

Key aspects monitored and addressed through intervention include:

- i) **Financial and Operational Performance:** Regular assessment of revenue growth, profitability, debt servicing capacity, and alignment with strategic goals.
- ii) **Governance Standards:** Monitoring board composition, independence, remuneration, and adherence to governance best practices.
- iii) **Strategy and Alignment:** Evaluating strategic progress and alignment with agreed-upon objectives, including ESG commitments.
- iv) **Leadership Quality:** Ensuring stable and competent leadership; addressing concerns over sudden changes or leadership gaps.
- v) **Risk Management:** Identifying and mitigating financial, operational, and ESG-related risks to preserve long-term value.
- vi) **Shareholder Interests:** Protecting shareholder rights, ensuring grievance resolution, and advocating for fair treatment of minority shareholders.



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c) MONITORING AND INTERVENTION MECHANISMS

The Fund employs a tiered and collaborative approach to monitoring and intervention:

- i) **Routine Monitoring:**
 - a. **Periodic Reporting:** Investee companies must provide regular updates, including financial, operational, and ESG disclosures.
 - b. **Engagement Meetings:** Structured meetings with management and boards to discuss performance and address concerns.
 - c. **Independent Research:** Leveraging third-party data and reports to validate company information.
 - d. **On-Site Visits:** Conducted for high-exposure companies to gain operational insights.
- ii) **Constructive Engagement:**
 - a. **Initial Discussions:** Engage with management to understand and address issues.
 - b. **Guidance and Support:** Provide strategic or operational recommendations.
- iii) **Escalation to Board-Level:**
 - a. **Board Representation:** Use board rights or observer roles to advocate for changes.
 - b. **Collaboration:** Work with other institutional investors for collective action.
- iv) **Strategic Actions:**
 - a. **Voting Rights:** Oppose proposals that conflict with the Fund's objectives or governance standards.
 - b. **Collaboration with Associations:** Engage with industry groups to address systemic risks.
- v) **Exit or Legal Recourse:**
 - a. **Portfolio Adjustment:** Restructure or divest investments where intervention fails.
 - b. **Legal Action:** Pursue remedies for significant breaches of fiduciary responsibilities.


d) COMPLIANCE WITH INSIDER TRADING REGULATIONS

The Fund ensures adherence to SEBI's insider trading regulations during monitoring and intervention activities by:

- i) Restricting requests for sensitive information to public or non-price-sensitive data unless authorized.
- ii) Training stakeholders on insider trading laws to avoid violations.
- iii) Establishing internal protocols for handling material non-public information securely and responsibly.



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e) COLLABORATION WITH OTHER INVESTORS

The Fund collaborates with institutional investors to amplify impact, particularly in addressing sectoral or systemic risks and governance issues. Mechanisms include:

- i) Joint meetings and collective voting strategies.
- ii) Coordinated communication with investee companies and regulatory advocacy.

f) OUTCOME ASSESSMENT

The Fund will regularly review the outcomes of its monitoring and intervention activities by:

- i) Tracking improvements in financial, operational, and governance performance.
- ii) Assessing adherence to strategic recommendations and ESG commitments.
- iii) Measuring progress against predefined benchmarks to refine future strategies.

g) EXCEPTIONS TO ACTIVE OVERSIGHT

For minor investments or companies deemed less significant, the Fund may limit its involvement to periodic reviews of publicly available information.

5. KEY PRINCIPLES OF STEWARDSHIP #2: VOTING RIGHTS POLICY

The Fund shall exercise its voting rights at shareholder meetings to promote decisions that align with its investment objectives and responsible investment principles. Before voting, the Fund shall review resolutions related to financial strategies, mergers and acquisitions, or governance changes. The Fund shall vote against proposals that conflict with responsible investment principles and ensures that voting decisions are documented and disclosed to investors.

a) MECHANISMS OF VOTING

The Fund employs various mechanisms to exercise its voting rights, including:

- i) **Electronic Voting (e-Voting):** Utilizing secure e-voting platforms for swift and accurate voting.
- ii) **Physical Attendance:** Representing the Fund in person at shareholder meetings where strategic issues are to be decided.
- iii) **Proxy Voting:** Appointing authorized representatives to vote on the Fund's behalf, ensuring the process aligns with its strategic objectives.
- iv) **Video Meetings:** For meetings conducted via video conferencing, the Fund ensures active participation by its representatives to discuss and vote on critical resolutions.

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This method is particularly useful for urgent or geographically dispersed meetings, providing flexibility without compromising engagement.

b) INTERNAL MECHANISMS FOR VOTING:

- i) **Assessment of Proposals:** The Fund conducts a thorough evaluation of all proposals on the agenda. This includes analyzing the potential impact on financial performance, governance standards, and alignment with the Fund's objectives.
- ii) **Guidelines for Decision-Making:** The Fund has predefined guidelines to decide on voting for, against, or abstaining on specific matters, including:
 - Corporate governance changes.
 - Capital structure modifications.
 - ESG (Environmental, Social, and Governance) matters.
- iii) **Escalation Protocols:** The Managing Director reviews contentious or high-stake resolutions. The fund also evaluates situations requiring intervention or deviation from standard guidelines.
- iv) **Use of Proxy Advisors:** The Fund may leverage proxy advisory services for insights and recommendations but retains final decision-making authority.
- v) **Conflict of Interest Management:** All voting decisions are subject to the Fund's conflict of interest policy to ensure impartiality and prioritize investor interests.

c) DISCLOSURE OF VOTING ACTIVITIES

To ensure transparency, the Fund commits to regular disclosures of its voting activities, including:

- i) **Frequency:** Disclosures will be made quarterly to Investors.
- ii) **Details:** Information will include resolutions voted on, voting decisions (For/Against/Abstain), and rationale for significant votes.

d) ENGAGEMENT WITH PROXY ADVISORS

When employing proxy advisory services, the Fund will:

- i) Clearly outline the scope of services provided by the advisors.
- ii) Disclose the extent of reliance placed on their recommendations.
- iii) Regularly review and evaluate the effectiveness of these services.

e) VOTING GUIDELINES

The Fund's voting decisions will be based on the following guiding principles:

- i) **Corporate Governance:** Support initiatives that promote board diversity, independence, transparency, and management accountability.
- ii) **Shareholder Rights:** Advocate for equitable treatment of all shareholders and oppose measures that concentrate power or restrict influence.

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- iii) **ESG Commitments:** Endorse proposals that enhance environmental sustainability, social equity, and ethical governance practices, aligning with financial objectives.
- iv) **Financial Performance:** Vote for resolutions that ensure prudent capital use, align executive compensation with performance, and balance shareholder returns with reinvestment.
- v) **Risk Management:** Favor proposals that improve risk oversight, address emerging risks, and oppose excessive risk-taking.
- vi) **Related-Party Transactions:** Scrutinize and support only those transactions that are transparent and in the company's best interests.
- vii) **Leadership and Succession:** Endorse robust succession planning and leadership appointments tied to performance and strategic alignment.
- viii) **Collaborative Efforts:** Collaborate with other institutional investors or industry groups when aligned with the Fund's objectives.
- ix) **Other Factors:** The Fund may also consider additional factors, as deemed relevant, to ensure that voting decisions align with its objectives and responsibilities while adapting to the unique context of each investee company and situation.


6. KEY PRINCIPLES OF STEWARDSHIP #3: MANAGING CONFLICTS OF INTEREST

The Fund maintains a separate and comprehensive Conflict of Interest Policy designed to identify, address, and mitigate conflicts of interest that may arise in fulfilling its stewardship responsibilities. This policy ensures that the interests of investors and beneficiaries are prioritized, and any actual or potential conflicts are managed with transparency and fairness.

Summary of the Conflict of Interest Policy

- a) **Identification of Conflicts:** The policy identifies potential conflict scenarios, such as investments in companies where affiliated entities or individuals have pre-existing stakes, dealings with interested parties, or situations involving competing obligations across multiple funds.
- b) **Mitigation Measures:**
 - i) **Governance Mechanisms:** Establishment of governance bodies like the Investor Advisory Committee to oversee and approve conflict-related transactions.
 - ii) **Fair Transactions:** Ensuring transactions are conducted at arm's length and on terms no less favorable to the Fund.
 - iii) **Transparency:** Full disclosure of any conflicts to stakeholders, including contributors and regulatory bodies.
- c) **Segregation of Functions:** The policy emphasizes clear separation of critical functions, such as voting decisions and client relationship management, to prevent undue influence.
- d) **Recusal Protocols:** Individuals with identified conflicts are required to recuse themselves from decision-making processes.

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- e) **Allocation Policies:** Clear policies are established to ensure fair allocation of investment opportunities among multiple funds managed by the Investment Manager, preventing favoritism.
- f) **Periodic Reviews and Updates:** The policy mandates regular reviews and updates to align with regulatory requirements and evolving business practices.
- g) **Documentation and Record-Keeping:** All decisions involving conflicts of interest are meticulously documented, ensuring accountability and enabling audit trails.

7. KEY PRINCIPLES OF STEWARDSHIP #4: REPORTING AND TRANSPARENCY

Transparency is a cornerstone of the Fund's stewardship policy. The Fund provides regular updates to investors on its stewardship activities, including monitoring outcomes, engagement initiatives, and voting decisions. Reports highlight the progress made on ESG integration, governance improvements, and risk mitigation efforts. The Fund ensures that all material risks, challenges, and achievements are communicated clearly and promptly to stakeholders, fostering trust and accountability.

a) REPORTING MECHANISMS

i) Periodic Disclosures:

- a. The Fund will disclose its stewardship activities through regular updates on its official website, ensuring accessibility for stakeholders.
- b. Reports will be categorized by the principles outlined in the SEBI Stewardship Code. For instance:
- c. Voting activities will be disclosed quarterly.
- d. Updates on the implementation of the Conflict of Interest Policy and other policies will be disclosed annually or as required.

ii) Annual Reports:

- a. A consolidated report detailing all stewardship activities, including monitoring of investee companies, voting decisions, and interventions, will be included in the Fund's annual report to investors.
- b. This report will highlight significant outcomes from stewardship activities, including any changes in corporate governance or strategic direction of investee companies influenced by the Fund's intervention.

- iii) **Timeliness of Updates:** Any significant policy updates or material changes in stewardship practices will be disclosed immediately, ensuring real-time transparency.



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b) SCOPE OF REPORTING

The reports will include:

- i) A summary of voting activities, detailing resolutions voted on and the rationale behind decisions.
- ii) Outcomes of interventions in investee companies, particularly those addressing ESG risks, financial performance, or governance issues.
- iii) Updates on collaboration efforts with other institutional investors, if applicable.
- iv) Insights into the monitoring processes for investee companies and their strategic alignment with the Fund's objectives.

8. COMPLIANCE AND LIMITATIONS

While the Fund actively engages in stewardship activities, this policy does not constitute an invitation to manage the day-to-day affairs of investee companies. The Fund retains the right to exit investments when such actions are deemed to be in the best interests of its investors.

9. REVIEW OF THE POLICY

The stewardship policy will be reviewed on an annual basis to ensure its continued relevance and effectiveness. This review will include:

- a) Assessment of the policy's impact on the Fund's investment outcomes and alignment with its stewardship objectives.
- b) Feedback from stakeholders, including investors and investee companies, to identify areas for improvement.

Any amendments to the policy will be approved by the Fund's governance committee and communicated to all stakeholders promptly.

