



Stewardship Code

Document Created: January 2022

[Last Reviewed: January 2026]

This document is the sole property of HDFC Capital Advisors Limited and is to be used strictly for Internal Consumption only.

STEWARDSHIP CODE

A. Background & Purpose

Securities and Exchange Board of India (“SEBI”) *vide* its Master Circular for Alternative Investment Funds bearing reference no. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39 dated May 07, 2024 has prescribed a Stewardship Code which needs to be adopted and implemented by all categories of Alternative Investment Funds (“AIF”), in relation to their investment in listed equity.

HDFC Capital Advisors Limited (“HCAL”) acts as an investment manager to HDFC Capital Affordable Real Estate Fund – 1 (“HCARE-1”), HDFC Capital Affordable Real Estate Fund – 2 (“HCARE-2”), HDFC Capital Affordable Real Estate Fund – 3 (“HCARE-3”) i.e. the first scheme of HDFC Capital AIF-3 (“HCAL AIF-3”), HDFC Capital AIF-3 – Scheme 2 (“HCAL AIF-3 – Scheme 2”) i.e. the second scheme of HCAL AIF-3, HDFC Capital Development of Real Estate Affordable and Mid-income Fund – 1 (“HDREAM-1”), i.e., the first scheme of HDFC Capital AIF-4 (“HCAL AIF-4”) and HDFC Capital Development of Real Estate Affordable and Mid-income Fund – 2 (“HDREAM-2”), i.e., the second scheme of HCAL AIF-4.

Each of HCARE-1, HCARE-2, HCAL AIF-3 and HCAL AIF-4 are a Category II AIF registered with SEBI.

HCARE-1, HCARE-2, HCARE-3 and HCAL AIF-3 – Scheme 2, HDREAM-1 and HDREAM-2 as well as any other funds/schemes to which HCAL may act as an investment manager/ sponsor/ settlor now or in the future shall hereinafter be individually referred to as “Fund” and collectively as “Funds”.

While the primary objective of the Funds is to invest in unlisted securities, the Funds may invest/ have invested in listed securities in certain circumstances and in accordance with the investment objective of the respective Fund and the SEBI (AIF) Regulations, 2012, as amended from time to time.

The International Financial Services Centres Authority (“IFSCA”) *vide* its circular bearing reference no. IFSCA-AIF/132/2024-Capital Markets dated October 23, 2025 has prescribed a framework for a stewardship code in GIFT IFSC. The set of principles, enumerated under the aforementioned circular, are aimed at guiding regulated entities undertaking investment activities in GIFT IFSC which act as institutional investors, and aligning their practices with global standards

for long-term value creation. The circular applies to all fund management entities and institutional investors (including Alternate Investment Funds ('AIFs') in GIFT IFSC.

HDFC Capital Advisors Limited *vide* its branch set-up in GIFT city ("HCAL's GIFT city branch" or "FME") is registered with IFSCA as a Registered FME (Non-Retail) bearing registration number IFSCA/FME/II/2023-24/065. FME is acting as an Investment Manager of HDFC Capital Fund of Funds-3, HDFC Capital Fund of Funds-3 Scheme 2 and HDFC Capital Dream Fund of Funds-2 and any alternative investment schemes launched in future

This Stewardship Code ("Code") is formulated by HCAL including its GIFT city branch to broadly lay down the principles and guidelines to monitor and engage with its investee companies, on various matters including performance, strategy, corporate governance, material environmental, social and governance (ESG) opportunities and risk, capital structure and exercising voting rights on shareholder resolutions of investee companies. This Code applies to the Funds only in relation to their investments in listed equities under the SEBI Stewardship Circular and further shall apply to FME, and IFSCA authorized funds to all its investment activities.

For the purpose of this Code, **HCAL** refers to the investment manager to domestic AIFs (as defined hereinabove) as well as HCAL's GIFT city branch, unless expressly specified otherwise.

B. Guiding Principle(s) of the Code

The Code enable(s) to formulate a guiding principle to carry out stewardship activities, including the following principles:

- a. a comprehensive policy and guiding principles to fulfil the stewardship responsibilities;
- b. managing conflict of interest to ensure investor(s) interest is placed first;
- c. continuous monitoring of listed portfolio companies in which equity investments have been made. Provided that in case of FME, the principle shall apply to all its investment;
- d. identification of circumstances and the manner of intervention for regular assessment of portfolio companies;
- e. participation in voting and disclosure of voting activities;
- f. active collaboration with other investors; and
- g. periodical reporting of stewardship activities.
- h. Where any stewardship activity is outsourced, the FME shall ensure that oversight, monitoring and due-diligence mechanisms are implemented to ensure stewardship responsibilities are exercised properly and diligently.

C. Investment Stewardship Committee (“ISC”)

The Internal Investment Committee (IIC) comprising of senior management of HCAL will be the ISC of HCAL. ISC will be responsible for effective implementation of this Code. The ISC shall decide on the level of monitoring for different investee companies, areas of monitoring, mechanism for monitoring, voting decisions and mechanism of voting, disclosures and reporting etc. Towards fulfilment of stewardship activities, ISC shall abide by this Code and shall be guided by the following principles:

1. Policy and guiding principles to fulfil the stewardship responsibilities:

- i. take into consideration, the corporate governance practices of investee companies;
- ii. enhance investor value through productive engagement with investee companies; and
- iii. engage with investee companies on matters including environmental, social and governance parameters.

ISC may fulfil the purpose through:

- i. Voting on shareholders' resolutions, with a view to enhance value creation for the investors and the investee companies;
- ii. Using the services of external agencies wherever deemed fit to discharge the duties;
- iii. advocating corporate governance practices, as a driver of value creation;
- iv. Working collectively with other institutional investors and supporting collaborative engagements organised by representative bodies and others;
- v. Conducting internal training(s) of ISC members and other personnel assisting in implementation of the Code;

2. Continuous monitoring of investee companies in which equity investments have been made:

ISC shall ensure that investee companies are regularly monitored, through regular review, interactions with investee company's management, be a part of industry calls of the investee company management, research material and other means of control measures.

The ISC may determine the level of monitoring depending upon the quantum of investment and certain special situations which require greater monitoring in line with both regulatory and investment requirements.

In all cases of engagement with the management and/ or the board of directors of the investee company, all communications and discussions will be conducted in private and confidential

manner. The objective of the interactions is to play a constructive role in enhancing the value proposition of the investment.

HCAL should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring. While dealing with the investee company, HCAL shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.

This provision applies to the FMEs with respect to monitoring all portfolio investments in which investments have been made.

3. The manner of intervention for regular assessment of investee companies:

HCAL 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 insufficient disclosures, non-compliance with regulations, performance parameters, governance issues, corporate plans/strategy, sustainability practices, decisions that could affect minority shareholder value. or any other related matters. HCAL may consider intervening in matters, if in the reasonable opinion of the ISC, the issue involved may adversely impact the overall corporate governance or investment.

The escalation matrix followed by HCAL for intervention shall be as follows:

- i. **Communication and engagement:** The ISC shall communicate to the investee company's management about any concerns of HCAL including steps to be taken to mitigate such concerns.
- ii. **Escalation:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by HCAL within a reasonable timeframe, HCAL shall take all reasonable steps to engage with the senior management / board of the investee company to resolve HCAL's concerns.
- iii. **Collaboration:** HCAL shall also consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary.

The ISC should further maintain records of the situations where they have intervened in the functioning of the investee company and where such intervention has led to escalation of such matter. The records should contain details of the investee company's engagement with the

FME, concerns raised, responses received, the decisions taken subject to confidentiality and regulatory norms and such other details as the ISC may deem relevant.

4. Managing conflict of interest to ensure investor(s) interest is placed first:

While investing in investee companies, the FME may be faced with a situation of conflict of interest. In such a situation, the FME will follow the process as specified in the Conflicts of Interest policy and identify, avoid, manage and, where necessary, mitigate and disclose such conflicts of interest, and shall follow the process laid down under the applicable Conflicts of Interest policy. Any material conflict that arises shall be transparently disclosed to relevant stakeholders. and the conflict management mechanisms together with actions taken shall be periodically reviewed to assess effectiveness in accordance with applicable SEBI and IFSCA stewardship requirements. For copies of the Conflicts of Interest policy, please email at compliance@hdfccapital.com.

5. Participation in voting and disclosure of voting activities:

The key areas that the ISC should consider for the purpose of voting will be related to corporate governance and matters related to future prospects of the investee companies including director appointments and compensation, corporate restructuring and related party transactions. ISC may also consider additional factors, including recommendations made by any proxy advisory firms while voting. HCAL shall maintain a record of its voting on investee company resolutions along with rationale. The voting policy will be made available on the website of HCAL.

6. Promoting collaboration with other investors

The ISC may engage in collaborative activities with other institutional investors or relevant entities to enhance the effectiveness of stewardship actions, promote better corporate governance practices, and support long-term value creation in investee companies.

The ISC shall consider collaborative action when it is reasonably assessed that such action is likely to have a greater impact than acting independently and may amplify the collective voice of stakeholders on matters of material significance. Any collaborative engagement undertaken shall at all times be compliant with applicable laws and regulations, including those governing confidentiality, competition, and insider trading.

The ISC shall ensure that all collaborative activities, including the rationale for participation, nature of the engagement, expected outcomes, and final actions taken, are appropriately evaluated, documented, and recorded as part of the stewardship process.

7. Periodical reporting of stewardship activities:

As per the direction from ISC, the FME shall report periodically to its investors on their stewardship activities, provided that the period must not be more than a year. Feedback received from the investors on the Code can be addressed at the following email [compliancefme@hdfccapital.com]. The feedback will be actively taken and, if deemed so by the ISC, can be incorporated into the Code.

D. Periodic reporting

This Code will be reviewed periodically for updates and will be made available on the website of the FME..