

## ***Policy on Conflict of Interest of ValueQuest S.C.A.L.E Fund***

<b>Sr. No</b>	<b>Particulars</b>	<b>Remark</b>
1	Date of original approval	20 <sup>th</sup> March, 2023
2	Date of last modification	20 <sup>th</sup> March, 2023
3	Approved By	VQ Compliance Team
4	Policy Owner	ValueQuest Scale Fund

## **1. Introduction to the Policy**

ValueQuest S.C.A.L.E Fund, (hereinafter referred to as ‘the Fund’) is a scheme of ValueQuest Alternate Investment Trust (hereinafter referred to as ‘the Trust’). The Trust is registered as a Category II Alternate Investment Fund (AIF) under the provision of SEBI (Alternative Investment Fund) Regulations, 2012 (“SEBI AIF Regulations”). The Fund will float Schemes from time to time [Scheme(s)].

Amicorp Trustees (India) Private Limited, acting as trustee on behalf of the Fund has appointed ValueQuest Investment Advisors Private Limited as Investment Manager of the Fund (hereinafter referred to as ‘the Investment Manager’ or ‘the Manager entity’). The Investment Manager is responsible for managing the affairs of the Fund and shall formulate policies and procedures in accordance with the Fund documents and applicable regulations for effective implementation and management of Fund and Scheme(s) investments and operations.

The SEBI AIF Regulations read with SEBI Circular dated August 27, 2013 stipulate an AIF and / or Investment Manager of the AIF shall have written policies and procedures to identify, monitor and appropriately mitigate conflicts of interest through-out the scope of its business.

## **2. Purpose and Scope**

The Fund and Scheme(s) may be subject to conflicts of interests, with respect to investors, the Investment Manager and their affiliate/group entities, employees, agents, designated partners, partners, director, Sponsor, members of the Investment Committee, the trustee company, investment management team of respective Schemes (collectively referred to as ‘Interested Parties’).

The purpose of this policy is to therefore lay down the Investment Manager’s approach to identify, monitor areas of conflict of interest and to manage such conflicts through appropriate mechanisms and processes. This policy lists down the key obligations of the Investment Manager with respect to identifying and managing conflicts of interest and also enlist potential conflicting situations.

## **3. Key obligations of the Investment Manager and Interested Parties**

- i. The Interested Parties shall exercise a standard of good faith in their dealings with the Fund and any of its Portfolio Entities.
- ii. The Investment Manager will be transparent and make disclosures with respect to conflicts of interest situation that the Investment Manager determines may have arisen (or which seem likely to arise) between the Interested Parties and the Fund (or any of its Portfolio Entities).
- iii. The Investment Manager shall take all reasonable steps to identify, continuously monitor and manage conflicts of interest.

Additionally, the Investment Manager and Interested Parties shall:

- iv. Maintain high standards of integrity while conducting business.
- v. Ensure fair and just treatment towards the investors etc.

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- vi. Ensure that personal interest does not conflict with the duty towards that of the investor. The interest of the investor is of the utmost importance.
- vii. Make appropriate disclosures to the investors of any possible conflict of interests which may affect the services.
- viii. Uphold confidentiality of information received from or pertaining to investors and also preventing such information from being used for personal interest.
- ix. Ensure that no contribution is made for manipulation of the demand for and supply of securities in the market or influencing prices of securities.
- x. Take into consideration any pre-existing relationships with prospective portfolio companies, where the Scheme may invest or their relationships with private equity sponsors and other investors (including institutional investors and their senior management).
- xi. Ensure not to deal in securities while in possession of material non published information.
- xii. The employees of the Investment Manager will devote substantially all their business time to the Fund and Schemes. The Investment Manager will make best efforts to provide on a priority basis, management resources for the business affairs of the Fund. Further, the management team of the Investment Manager will source transactions solely for the benefit of the Fund and Schemes.
- xiii. Make full disclosure to the Fund/Schemes, where there is some relationship between any investment opportunity recommended to the Scheme(s) and the Investment Manager. Such a relationship will be identified as, where the Investment Manager or any of its affiliates:
  - Have invested or may invest in the portfolio company more than 50% of paid up equity capital.
  - Have issued or underwritten the potential investment opportunity.
  - Is promoter of the portfolio company.This may also happen where the portfolio company is an associate (as defined under the AIF Regulations) of the Fund/Schemes. Subject to terms of fund documents, in the event the portfolio company is an Associate of the Fund, prior approval of the Super Majority of the Investors of the Scheme shall be taken.

#### **4. Identification of key areas of conflicts**

Some of the potential conflicts of interests which may be applicable to the Fund and Schemes are as follows:

- i. *Investments in Portfolio Entities in which Interested Parties have Interests:* The Investment Manager while acting as the investment manager of the Trust/Fund may from time-to-time effect transactions in securities issued by a Portfolio Entity that is otherwise a (i) client or (ii) investee company of any of the affiliate/associate/group entity/other funds of the Investment Manager or of the team of the Investment Manager. It may also effect transactions by the Fund in securities in which an affiliate/associate/group entity may have a financial or other business interest at any time;

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- ii. *Other Fees:* The Investment Manager, as investment manager of the Trust/Fund, may affect transactions in securities and/or provide services to Portfolio Entities in respect of which any of its affiliate/group entity may benefit from a commission or fee;
- iii. *Purchase from and sale of investments to Interested Parties:* The Investment Manager may purchase investments from or sell investments to Interested Parties. In such cases, conflicts may arise in determining the price and terms of the sale or purchase as the case may be;
- iv. *Board of Fund Investment:* As part of its investment methodology, the Investment Manager may require Portfolio Entities to grant to the Fund a seat on the boards of directors of such Portfolio Entities. The seat will be filled by a nominee of the Investment Manager. As a consequence, such persons will have fiduciary and other duties to the Portfolio Entity, which may conflict with the interests of the Fund;
- v. *Conflict in case of co-investment:* Co-investment by the eligible Contributors alongside the Fund is seen as a positive and motivating factor for such Contributors. However, conflicts of interest can occur if the eligible Contributor is permitted to invest on a deal-by-deal basis. Sometimes, providing a Co-Investment opportunity to the eligible Contributor might result in dilution of stake of the fund in the Portfolio Entity. The eligible Contributor may employ a person on the advisory board of such Portfolio Entity and may involve in decision making along with the Fund.

## **5. Management and Resolution of conflicts**

On any matter involving a conflict of interest covered in para 4 above or other potential areas of conflict of interest, which comes to or which is brought to the knowledge of the Investment Manager, the Investment Manager will be guided by its good faith judgement as to the best interests of the Fund and the Schemes and shall take such actions as are determined by it to manage such conflicts of interest, including ensuring compliance with the applicable laws.

The Investment Manager will take reasonable care that, in relation to each identified conflict, it acts independently to avoid material risk to the Investor interests. Some of the measures the Investment Manager will adopt to manage identified conflicts are set out below:

- i. In managing the aforesaid conflicted transactions, the Investment Manager will have regard to its obligations under the Trust Documents pertaining to the Fund and will act in the best interests of the Investors in the Fund.
- ii. The Investment Manager will make efforts to see that any transaction involving a potential conflict of interest will be affected on terms that are not less favorable to the Investors in the Fund than if the potential conflict had not existed. The Investment Manager will place significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest.

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- iii. The Investment Manager will ensure that the interest of all the Investors is paramount and all personal interests, relationships or arrangements, including those of its affiliated companies/entities do not work against the Investors' interest.
- iv. The Investment Manager will take appropriate measures intended to assure that it will not unfairly profit from any transaction between its affiliates/group entities and the Fund and all such transactions shall strictly be done on an arm's length basis. The Investment Manager will use reasonable efforts to apportion or allocate business opportunities among persons or entities to or with which they have fiduciary duties and other relationships on a basis that is as fair and equitable as possible to each of such persons or entities, including the Fund.
- v. The Interested Parties and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.

## **6. *Review of Policy***

This policy will be reviewed annually or earlier, if required, in light of change in regulatory framework applicable on the AIF and / or business reasons, if any.

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