



CIRCULAR

F. No. IFSCA-AIF/132/2024-Capital Markets

October 23, 2025

To,

All Fund Management Entities and Institutional Investors.

Madam/Sir,

Subject: Framework on Stewardship Code in IFSC

1. Reference is drawn to the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (hereinafter referred to as the “FM Regulations”) issued by the International Financial Services Centres Authority (hereinafter referred to as “IFSCA/ Authority”), vide notification dated February 10, 2025.
2. To enhance investor protection and promote robust corporate governance, the Authority hereby specifies a Framework on Stewardship Code, placed herewith as **Annexure-A**.
3. The set of principles, enumerated under this Stewardship Code, are aimed at guiding the regulated entities (Fund Management Entity) undertaking investment activities in IFSC which act as institutional investors, aligning their practices with global standards for long-term value creation.
4. Accordingly, all Fund Management Entities and Institutional Investors (including Alternate Investment Funds (‘AIFs’) and Retail Funds (‘RFs’) in the IFSC are encouraged to adopt a Stewardship Code and actively participate in building a more responsible and resilient investment ecosystem at the IFSC.
5. The Regulated Entities, undertaking investment activities, may adopt the Stewardship Code, as stipulated under Annexure-A, or may adopt a Stewardship Code specified or published by: -
 - i. a financial sector regulator in their home jurisdiction; or
 - ii. a financial sector regulator in India such as the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA);
or
 - iii. a Statutory professional body such as the Institute of Company Secretaries of India (ICSI).

Provided that, such Stewardship Code, as adopted, must substantially reflect the core principles enumerated under this Framework.

6. The Stewardship Code, as adopted, shall be explicitly communicated to the Authority and disclosed to its customers through its website.

Explanation. – It may be noted that the Fund Management Entity of a Fund of Funds Scheme, as defined under the FM Regulations, may, in lieu of formulating its own Stewardship Code, disclose and publish the Stewardship Code of the underlying/target fund.

7. Upon adoption of such Stewardship Code, the Regulated Entities must ensure regular and transparent reporting in accordance with the same on their website, and the same must be reported to the Authority.
8. The Regulated Entity, undertaking investment activities, shall also have appropriate mechanisms in place, to periodically review the efficacy of, and compliance with, the adopted Stewardship Code and its associated reporting framework.
9. This Circular is issued in exercise of the powers conferred by Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with regulation 146 of the FM Regulations, and shall come into force with immediate effect.

A copy of this Circular is available on the International Financial Services Centres Authority website at www.ifsc.gov.in

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Framework on Stewardship Code

PRINCIPLE 1- STEWARDSHIP POLICY FORMULATION AND DISCLOSURES

As investors, the regulated entities must formulate a clear and comprehensive policy on the discharge of stewardship responsibilities as envisaged under this framework. The policy shall outline the governance culture, objectives, investing philosophies, etc. It may be appropriate for policies to be nuanced, applying different approaches based on factors such as investment size, nature, and location.

In case any of the activities are outsourced, the policy should provide the mechanism to ensure that in such cases, stewardship responsibilities are exercised properly and diligently. The policy shall be publicly disclosed on the entity's website and reviewed periodically for updates to ensure its relevance and effectiveness. The reporting shall also include the results achieved in line with the stewardship policy.

Employees involved in stewardship activities shall be periodically trained to effectively discharge stewardship responsibilities in line with regulatory and internal policy standards.

PRINCIPLE 2- MONITORING INVESTEE COMPANIES

Principled ownership responsibility should extend beyond voting and involve continuous monitoring. The investors must actively involve and discuss concerns directly with the investee companies. These areas of monitoring may include business models, performance and strategy, various developments, etc.

Principled ownership should also encourage policies on ESG and should involve issues that can have an impact on the companies' goodwill, reputation, and performance.

Regulated Entities can engage through various mechanisms, including direct private communication such as writing letters, dialogue with management and meeting with the senior management personnel. More strategies may include proposing shareholder

resolutions at general meetings, exercising voting rights, selling shares, or, in extreme cases, litigation.

Monitoring of investee companies should not become a conduit to engage in insider information. Information provided by the investee companies must be safeguarded and insulated. However, investors may set out circumstances and lay down mechanisms on when the concerns may be escalated.

PRINCIPLE 3- INTERVENTION IN INVESTEE COMPANIES AND ESCALATION

Monitoring of Investee Companies may lead to identification of concerns regarding company's strategy, performance, governance or risk that may call for intervention and, if necessary, need to escalate its actions in a structured manner. The stewardship policy must, therefore, include a framework for intervention in investee companies and possible escalation, in case such need may arise.

Possible situations that may demand initiation of intervention, including collaborative engagement, can be as follows:

1. Persistent underperformance relative to peers or benchmarks;
2. Concerns around corporate governance;
3. Risks relating to ESG or Sustainability practices;
4. Failure of investee company to adequately respond to material issues raised;
5. Any breach or potential breach of legal or regulatory obligations;
6. Decisions that could affect minority shareholder value.

The mode of intervention may be chosen depending on the materiality of the issue and investor's level of investment/ influence.

All interventions and escalation actions shall be documented and disclosed with details of engagement, concerns raised, responses received, and decisions taken subject to confidentiality and regulatory norms. The framework shall be periodically reviewed to ensure effectiveness.

PRINCIPLE 4- POLICY ON DEALING WITH CONFLICT OF INTEREST

As investors, the regulated entities investing funds on behalf of clients have a duty to act in the interest of its clients/ beneficiaries of the funds provided by its clients. To this objective, investors should formulate a detailed policy to identify, avoid, manage and where necessary, disclose conflicts of interests.

Some of the key guidelines that may be incorporated through the policy are:

1. Engaging with investee companies, voting or participating in collaborative engagements;
2. Reasonable efforts shall be made to avoid conflicts of interest and where unavoidable, effective mechanisms shall be in place to manage or mitigate such conflicts;
3. Any material conflict of interest that arises shall be transparently disclosed to relevant stakeholders, including clients/beneficiaries, in a timely and adequate manner;
4. The conflict-of-interest policy, identified conflicts, and action taken shall be periodically reviewed to assess the effectiveness of mitigation.

PRINCIPLE 5- VOTING BY THE INVESTORS

As investors, the regulated entities must adopt a formally documented voting policy that ensures the investee company acts in a manner aligned with stakeholder expectations and investment philosophies.

The voting policy may be exercised to promote accountability, transparency and to encourage corporate governance reforms. Active voting will also ensure institutional investors fulfil the fiduciary duty to act in the best interests of their beneficiaries. Therefore, as investors, entities shall not only vote but also actively remove barriers to voting.

The voting policy may include the following guidelines:

1. It may be aimed at the best interest of the beneficiaries supporting transparent and ethical corporate governance;
2. It may apply to all investee companies where voting rights are available;
3. It may establish a robust decision-making protocol avoiding mechanical or blanket voting in favour of the management;

4. It may include maintenance of detailed records of votes cast, abstentions and justifications;
5. It may also include use of proxy voting, advisors, research analysts, etc. and may be publicly disclosed. However, none must be seen as a substitute for investor's own responsibility of transparent voting;
6. It may also envisage a voting escalation matrix to provide a tiered decision-making framework depending on materiality, complexity or conflict. Escalated votes may be made part of the stewardship disclosures. Periodic training and simulations may help teams identify when and how to escalate;
7. Investors may also engage with policy makers to ensure the rights of minority investors are protected.

As investors, entities are advised to follow principles like being informed, consistent with long-term goals, constructive, transparent and independent in their voting behaviour.

Adequate employees may also be trained and assigned responsibility to conduct periodic reviews of the voting trends, effectiveness of the policy and updation of policy, as needed.

PRINCIPLE 6- COLLABORATION WITH OTHER INVESTORS

To enhance effectiveness of stewardship activities, regulated entities as investors, may collaborate with other entities to promote better corporate governance and long-term value creation.

The policy may include the following guiding principles:

- a. Consider collaborative action when it is likely to have a greater impact than acting alone and amplify the voice of the stakeholders;
- b. The collaboration shall be constructive, non-confrontational, voluntary and transparent, respectful of legal boundaries;
- c. All collaborative activities may be appropriately evaluated and documented;
- d. The policy may also lay down various modes of collaboration depending on criticality of the matter, number of shareholders involved and effectively use associations and stewardship platforms.

PRINCIPLE 7- DISCLOSURE AND REPORTING OF STEWARDSHIP

As investors, regulated entities shall periodically report to their stakeholders on how they have discharged their ownership responsibilities. The reporting can be done at periodic intervals, provided that the period must not be more than a year.

Any deviation from the policy should be immediately notified to the investors explaining the rationale and the necessity. The reporting shall also include the results achieved in line with the stewardship policy.

The disclosures and reporting to the investors should be in an easy-to-read format. Feedback from investors on the policy should be actively taken and, if required, can be incorporated into the policy.
