



# Consultation Paper for Framework on Stewardship Code in IFSC

August 06, 2025

## **Stewardship Code –**

### **IFSCA's fillip to enhancing investor protection in the IFSC**

Over the years, the number of businesses and intermediaries in the IFSC has increased manifold. There have been almost 170 unique listings of bonds on the IFSC (out of which ESG themed bonds are around 40) raising more than 65 billion USD. Further, with more than 180 Fund Management Entities (FMEs) managing more than 275 funds in the IFSC (almost 50 Bn. USD to be raised as per the private placement documents), the pace of growth of investment through the IFSC has only been frenetic. In this juncture, there is an imperative need that these investments by investors are managed with proper governance, engagement and adequately monitored.

## **Stewardship Code**

A Stewardship Code outlines principles and guidelines for institutional investors like mutual funds and alternative investment funds to:

- monitor and engage with their investee companies,
- focus on corporate governance, ESG factors,
- monitor and manage conflict of interest management

Essentially, a stewardship code is a big fillip to enhancing investor protection and promoting good corporate governance practices in companies through institutional investors and fund managers.

## **Need for a Stewardship Code**

Institutional investors include entities like Alternate Investment Funds ('AIFs'), Mutual Funds ('MFs'), pension funds, government treasury, insurance companies, to name a few. They invest large amount of funds in companies and their investment is mostly strategic in nature. While their individual investment is huge, the funds that they invest belong to a large pool of diversified investors with small, medium and large contributions. Since the institutional

investors play an important role in protecting the interest of diversified investors, they act as stewards for their clients.

### **National and International practices:**

Globally institutional investors are largely mandated or gently nudged by regulators to follow a stewardship code. The 2008 financial crisis highlighted the inadequacy and weaknesses of corporate governance standards existing at that time in the banks and financial institutions. As an aftermath, the United Kingdom became the first nation to implement a Stewardship Code in 2010. Subsequently, many countries like the United States, Malaysia, Brazil, Japan established their own stewardship frameworks.

In India, SEBI, IRDAI and PFRDA have issued Stewardship Codes. A sub committee of the Financial Stability and Development Council (FSDC-SC) approved the proposal of SEBI along with IRDA and PFRDA for introducing stewardship principles in India. The SEBI Stewardship Code<sup>1</sup>, for example, outlines the guiding principles and practices to be adopted by the Mutual Funds and AIFs regulated by it to discharge their fiduciary responsibilities as institutional investors.

### **Nature of a Stewardship Code**

A Stewardship Code is generally built as a set of voluntary principles of ownership that encourages transparency, accountability, and long-term value creation for stakeholders, including investors and investees through a stewardship policy.

Broadly, Stewardship Codes comprise of the following principles:

## **PRINCIPLE 1- STEWARDSHIP POLICY FORMULATION AND DISCLOSURE**

As investors, the regulated entities must formulate a clear and comprehensive policy on the discharge of stewardship responsibilities as envisaged in this framework. The policy

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<sup>1</sup> [https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities\\_45451.html](https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities_45451.html)

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. However, 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 if 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 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 policy may include the following guidelines:

1. The voting policy may be aimed at the best interest of the beneficiaries supporting transparent and ethical corporate governance.
2. The voting policy may apply to all investee companies where voting rights are available.
3. The policy may establish a robust decision-making protocol avoiding mechanical or blanket voting in favour of the management.
4. The voting policy may include maintenance of detailed records of votes cast, abstentions and justifications.
5. The voting policy 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. The voting policy 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 may 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:

1. Consider collaborative action when it is likely that to have a greater impact than acting alone and amplify the voice of the stakeholders.
2. The collaboration shall be constructive, non-confrontational, voluntary and transparent, respectful of legal boundaries.
3. All collaborative activities may be appropriately evaluated and documented.
4. 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 should periodically report to their stakeholders on how they have discharged their ownership responsibilities. The reporting can be done at periodic intervals, but the period should 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.

### **IFSCA's recommendation**

IFSCA encourages all Fund Management Entities and Institutional Investors in the IFSC to adopt a stewardship code and actively participate in building a more responsible and resilient investment ecosystem at the IFSC.

Regulated entities may adopt a Stewardship code prescribed or published by:

1. A financial sector regulator in their home jurisdiction or
2. 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
3. A Statutory professional body such as the Institute of Company Secretaries of India (ICSI)

The code that is adopted must substantially reflect the core principles enumerated in this document. The chosen code shall be explicitly disclosed to the Authority and to its customers through its website, and entities must ensure regular and transparent reporting in accordance with the same on its website and to the IFSCA. The regulated entity shall also have appropriate mechanisms in place to periodically review the efficacy of, and compliance with, the adopted stewardship policy and its associated reporting framework.

### Public Comments:

This Stewardship Code framework for IFSC is intended to ensure that regulated entities act as responsible stewards of capital, aligned with the broader objectives of sustainable and inclusive financial markets. IFSCA seeks comments on this proposal to introduce the Guiding Principles of Stewardship as a voluntary measure for Fund Management Entities and Institutional Investors in the IFSC. The comments may be sent by email to Shri Mihir Upadhyay at [mihir.upadhyay@ifsc.gov.in](mailto:mihir.upadhyay@ifsc.gov.in) , Shri Jasmeet Singh, at [singh.jasmeet@ifsc.gov.in](mailto:singh.jasmeet@ifsc.gov.in) , Ms. Kanika Singh, at [singh.kanika@ifsc.gov.in](mailto:singh.kanika@ifsc.gov.in) and Mr. Paras Jain, at [jain.p@ifsc.gov.in](mailto:jain.p@ifsc.gov.in) with the subject line *“Comments on the Framework for Stewardship Code in IFSC proposed by IFSCA”* on or before August 27, 2025. The comments may be provided in MS Word only.

### Format for providing comments / suggestions:

#### Framework for Stewardship Code in IFSC

<b>Name and Details of the person/ Entity</b>	
<b>Contact No., Email Id</b>	
<b>Name of Organisation</b>	
<b>Comments/Suggestions/ Suggested modifications</b>	
<b>Detailed Rationale and other supporting information</b>	