

ARKACREDIT FUND

CONFLICT OF INTEREST MANAGEMENT POLICY

ARKA CREDIT FUND

OVERVIEW AND OBJECTIVE

The Policy on Conflict of Interest Management (**"Policy"**) has been adopted with regards to identifying and managing actual, potential or apparent conflicts of interest in a fair and equitable manner that may arise in relation to the various activities carried out by Interested Parties vis-à-vis the activities of Arka Credit Fund.

This Policy intends to protect the interest of Investors in the Arka Credit Fund – I ("Fund") against any adverse consequences arising from potential conflicts of interest. The protection of the investors' interests is the Investment Manager's foremost priority. The Sponsor and Investment Manager shall act in fiduciary capacity towards its investors. The Investment Manager and Sponsor shall abide by high level principles on avoidance of conflicts of interest with associated persons, as may be specified by the Securities and Exchange Board of India, from time to time.

The Interested Party(ies) shall exercise a standard of good faith in their dealings with the Fund and any of its Portfolio Entities. 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).

The Policy shall be applicable to multiple advisory, transactional, financial and other interests of the Interested Parties, that may conflict with those of the Fund and the Investor in various ways.

The Sponsor and the Investment Manager will endeavour to resolve/ deal with conflicts as and when they arise in a fair and equitable manner as per this Policy, and in compliance with the Private Placement Memorandum to be issued by Arka Credit Fund.

DEFINITIONS

"Associate" has the meaning as given to the term in the Regulations;

"Board of Directors" means members of the Board of Directors of the Investment Manager;

"Contributor" / "Investor" / "Unitholders" means the Eligible Persons each of whom have made or agreed to make Capital Commitment to the Fund in accordance with the Contribution Agreements and the Memorandum and shall include without limitation any Eligible Persons becoming transferees of Units in accordance with the provisions of the Scheme Documents;

"Fund" means "Arka Credit Fund I", which is the first Scheme of the Trust.

"Interested Parties" means the Investment Manager, Sponsor and their affiliate/group entities, directors, employees and agents;

"Investment Manager" shall mean Arka Investment Advisory Services Private Limited;

“Arka NBFC” shall mean Arka Fincap Limited;

“Memorandum” means the confidential private placement memorandum and any supplements thereto issued by Arka Credit Fund for its Scheme Arka Credit Fund – I, inviting offers for Capital Commitments from prospective Contributors for the subscription and purchase of Units of the Fund strictly on a private placement basis in accordance with the Regulations and containing the requisite details as required under the Regulations;

“Portfolio Company / Portfolio Entity” means such company, special purpose vehicle, limited liability partnership venture capital undertakings, body corporate or real estate investment trust or infrastructure investment trust or other permissible entity/enterprise in which the monies of the Contribution Fund are invested in accordance with the Applicable Laws;

“Regulations” means the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 as amended/modified and reinstated from time to time and including the circulars/notifications issued pursuant thereto.

“Sponsor” means Arka Financial Holdings Private Limited.

“Trust” means Arka Credit Fund

Any term, unless specifically defined in this Policy, shall have the meaning ascribed to them in the Memorandum.

FRAMEWORK FOR IDENTIFYING AND MANAGING POTENTIAL CONFLICT OF INTEREST

A. Identification of Conflict-of-Interest Situations

Some of the potential conflicts of interest situations are provided below. It is not intended to provide a comprehensive list of conflicts of interest or account of the processes and procedures which the Investment Manager adopts in connection with the management of conflicts of interest, but is instead intended to be a statement of principles with which the Investment Manager seeks to manage foreseeable conflicts of interest.

➤ At the level of employee of the management entity

The employees of the Investment Manager that provide services to the Fund will have, in addition to their responsibilities for the Fund, responsibilities for other companies including the Sponsor and Arka NBFC, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Fund and such other projects and clients.

➤ At the level of service providers of the Fund

The attorneys, accountants, professionals and other service providers, who perform services for the Fund may, and in some cases do, also perform services for the Interested

Parties and their affiliates.

➤ **At the level of the Investment Manager**

There cannot be any assurance that an investment opportunity that comes to the attention of the Investment Manager will be referred or otherwise made available to the Fund. Investment opportunities identified by the Investment Manager may be suitable for the Fund and/or an Interested Party. The Investment Manager will endeavour to resolve any such conflicts in a reasonable manner taking into account such factors as it may consider relevant including investment strategy and objectives, investment policy, sector focus, deal size, regulatory and tax considerations, executing the conflicted transactions at arms length basis, etc. However there can be no assurance that the Fund shall be allocated any particular investment opportunities that are identified by the Investment Manager.

➤ **At the level of the Sponsor**

The Sponsor of the Fund may act as sponsor of other funds and will be required to maintain a continuing interest with such funds. Accordingly, they may have conflicts of interests in allocating resources and time for such funds.

➤ **At the level of the Investor**

The Investors of the Fund, apart from investing in the Fund, may also invest in the companies where the Fund has also invested at the differential terms than that of the Fund. Such investment of the Investors may conflict with the investment of the Fund.

The Fund may also invest in companies where Investor(s) has invested, at such terms as may be deemed fit, which may be differential than that of the Investor. Such investment by the Fund may conflict with the investment of the Investor(s).

➤ **At the level of members of various governance bodies**

The members of the Investment Committee and Advisory Committee (if any), in addition to their responsibilities for the Fund, will have responsibilities for other funds, projects and clients. Accordingly, allocating management time and other resources among the Fund and such other funds, projects and clients can be a challenge.

➤ **At the level of the Sponsor and/or Investment Manager group entity, in relation to various schemes managed by the Sponsor and/or Investment Manager**

The Investment Manager and/or Sponsor and their affiliates, subject to Applicable Laws, may be involved in a variety of advisory, management and investment-related activities including management of other funds in future. The Fund shall not have any rights in or to any cash receipts or profits of the Investment Manager and/or Sponsor, and any of their affiliates. The Investment Manager and/or Sponsor and any of their affiliate/group entities may, from time to time, act as investment managers or advisers to other entities, companies or funds other than the Trust/Fund. It is therefore possible that the Investment Manager and/or Sponsor and their affiliates may in the course of their business have potential conflicts of interest inter-se different activities.

Additionally, the group entities of the Sponsor and/or the Investment Manager, as part of their regular course of business, may independently make investments in Portfolio Entities of the Fund.

The Investment Manager may identify additional conflicts of interest situations from time to time, which will be managed/mitigated with the help of the principles identified herein and by also taking into account further processes which the Investment Manager may develop over the period of time. The following are the potential conflicts of interest situations that may arise:

- a) 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 companies 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 company may have a financial or other business interest at any time;
- b) Other Fees: The Investment Manager as investment manager of the Trust/Fund or any of its group entities may effect transactions in securities and/or provide services to Portfolio Entities in respect of which the Investment Manager or any of the its affiliate/group company may benefit from a commission or fee;
- c) 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;
- d) Management Resources: The Interested Parties and their employees that provide services to the Fund will have, in addition to their responsibilities for the Fund, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interests in allocating management time and other resources amongst the Fund and such other projects and clients;
- e) Differential Terms: The Fund may enter into, deliver or perform side letters or other written agreements or instruments to or with one or more investors of the Fund which have the effect of establishing different rights under, or altering or supplementing the terms of an investment in the Fund;
- f) Board of Fund investment: As part of its investment methodology, the Investment Manager may require portfolio companies to grant to the Fund a seat on the boards of directors of such portfolio companies. 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.
- g) Representation: The attorneys, accountants, and other professionals, who perform services for the Fund may, and in some cases do, also perform services for the Interested Parties and their affiliates.
- h) Allocation of Investments: There cannot be any assurance that an investment opportunity that comes to the attention of the Investment Manager will be referred or otherwise made available to the Fund. Investment opportunities identified by the Investment Manager may be suitable for the Fund as well as other funds or investment

vehicles managed or advised by the Investment Manager and/or an Interested Party and/or their respective affiliates. There could be multiple portfolios under the management of the Investment Manager or by designated partners who are Interested Parties of other entities of the group of the Investment Manager, thereby representing possibility of conflict of interest in allocating investment opportunities amongst the various portfolios. The Investment Manager will endeavour to resolve any such conflicts in a reasonable manner taking into account such factors as it may consider relevant including investment strategy and objectives, investment policy, sector focus, deal size, regulatory and tax considerations, etc. However there can be no assurance that the Fund shall be allocated any particular investment opportunities that are identified by the Investment Manager. Furthermore, the Investment Manager shall have the right, at its discretion, to allocate any investment opportunities to other portfolios or to the Fund.

- i) Conflict in case of warehousing: The Investment Manager/Sponsor and/or their associates/affiliates may make Warehoused Investments in Portfolio Entities. The transfer of such Warehoused Investments to the Fund is expected to be at such price as the Investment Manager may decide in accordance with the Memorandum, which may not necessarily reflect an accurate intrinsic value of the Warehoused Investment. The Investment Manager shall ensure no investment is made in any securities, the end-use of which is repayment of existing loans given by Interested Parties.
- j) 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.
- k) Common members: The members of the Key Investment Team / Investment Committee / Advisory Board of the Fund may be involved in decision making / recommendation process in different capacities with other parties with whom the Fund may transact and conflict of interest can occur by virtue of holding such positions.

B. Co-investment:

Subject to and in compliance with Regulations and Applicable Laws, the Investment Manager may at its discretion offer Co-Investment opportunities to certain eligible Contributors (each a "Co-Investor"), at such times and on such terms as it may determine.

Co-Investment in a Portfolio Entity by the Investment Manager or Sponsor or Co-Investor shall not be on terms more favourable than the terms of investment of the fund unless otherwise provided under Applicable Laws. Provided that the terms of exit from the Co-investment in a Portfolio Entity including timing of exit shall be identical to the terms applicable to that of exit of the Fund.

The Investment Manager and/or its affiliates may receive any referral fees and other compensation from the Co-Investors in relation to their Co-Investment which could be different from the fees or compensation charged to the Fund and shall not be obliged to remit these amounts to the Fund.

Similarly, any transactional expenses in respect of a Co-Investment opportunity incurred by the Fund shall be shared proportionately between the Fund and such Co-Investors in the ratio of their amount of investments.

Subject to the foregoing, (i) each of the Fund and the Co-Investor will act independently and not act as an agent of the other; (ii) each of the Fund and the Co-Investor will make its own decisions on investments and divestments and bear its own expenses as well as be entitled to the gains and losses arising from its investments; and (iii) the Fund and the Co-Investor are not expected to act jointly or make any joint decisions or association of persons and do not intend to form any joint venture or partnership for the purpose of making investments.

C. Measures to manage identified Conflict-of-Interest Situations

- In managing the conflicted situation, the Investment Manager will have regard to its obligations under the Regulations, Investment Management Agreement, Contribution Agreements and other Scheme Documents pertaining to the Fund and will act in the best interests of the Investors in the Fund
- The Investment Manager will make efforts to see that any transaction involving a potential conflict of interest will be effected on arms length basis and on terms that are not less favourable 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.
- 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.
- The Investment Manager will take appropriate measures intended to assure that it will not unfairly profit from any transaction between its affiliates/group companies/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.
- The Interested Parties and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.

INTERNAL PROCEDURE

- Every person acting on behalf of the Fund shall ensure to abide by the Code of Conduct, pursuant to which each such person shall forthwith report to the Compliance Officer any identified conflicts of interest, including any risks thereof, which have not previously been identified and disclosed to investors, or as the case may be to the Investment Committee, whether in this Policy or in the Memorandum or otherwise. All such persons are bound by professional secrecy and confidential information is only to be shared if essential for performing a job function.
- Advisory Board shall be notified of the conflict of interest situations.

- Upon being notified of a conflict of interest situation, the matter shall be addressed in accordance with this Policy and the Memorandum. If the conflict of interest situation is substantiated in respect of the activities of the Fund and such conflict of interest has not been disclosed to the investors, the same shall be reported to the investors.
- The Advisory Board shall provide advice/recommendations on matters pertaining to conflict of interest. In order to ensure high governance standards in dealing with conflict situations, any negative recommendation of the Advisory Board shall necessarily be adhered to. Further, recommendation of the Advisory Board shall be taken through unanimous vote of members present and voting at the meeting.
- Compliance Officer shall maintain a record of such conflict of interest situations, with brief details of conflict and manner in which the same was addressed.
- Notwithstanding anything mentioned to the contrary, the Fund shall not invest in Associates except with the approval of Super-Majority of Contributors.

DISCLOSURE OBLIGATIONS

All conflict of interests, as and when they arise or seem likely to arise, shall be disclosed to the Investors.

MONITORING AND REVIEW OF THE POLICY

The Board of Directors is responsible for ensuring that this policy is effectively and accurately implemented, observed and maintained.

This Policy shall be reviewed as and when required inter-alia including pursuant to regulatory requirements, and at least on an annual basis.