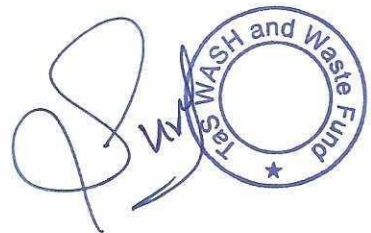


# **TaS WASH and Waste Fund CONFLICT OF INTEREST POLICY**

Version 1

Approved by the Board of Directors of Yunus Social Business Fund Bengaluru Private Limited (Investment Manager of TaS WASH and Waste Fund) on 06<sup>th</sup> February 2025

A handwritten signature in blue ink is written over a circular blue stamp. The stamp contains the text "TaS WASH and Waste Fund" around the perimeter and a small star at the bottom.

# TaS WASH and Waste Fund

A scheme under Zero Poverty Ventures India Funds  
Category II Alternative Investment Fund

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 **yunus**  
social business  
FUND BENGALURU

## 1. OVERVIEW OF THE FUND

The **TaS WASH and Waste Fund** ('the Fund') is registered as a Category II Alternative Investment Fund ("AIF") with the Securities and Exchange Board of India ("SEBI") under Registration No: IN/AIF2/23-24/1377. The Fund is a scheme of **Zero Poverty Ventures India Funds**, established as a trust under the Indian Trusts Act, 1882, and governed by the SEBI (Alternative Investment Fund) Regulations, 2012 ("AIF Regulations").

The Fund is managed and sponsored by **Yunus Social Business Fund Bengaluru Private Limited** ("Sponsor" or "Investment Manager" or YSBFB). **Axis Trustee Services Limited** serves as the Trustee. The Fund focuses on investing in Small and Medium Enterprises ("SMEs") in India's **WASH and Waste Sectors**, including drinking water, sanitation, hygiene, and solid waste management, with a mission to generate social and environmental impact alongside financial returns.

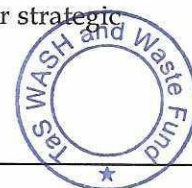
## 2. PURPOSE OF THE POLICY

The purpose of this Conflict of Interest Policy is to outline the principles and practices adopted by the Fund, with YSBFB as the Sponsor and Investment Manager, to identify, monitor, and manage conflicts of interest in accordance with SEBI regulations and the Fund's governing documents. This policy ensures transparency, fairness, and the prioritization of contributors' interests in all Fund operations and decision-making. By establishing a structured approach to conflict management, YSBFB seeks to uphold its fiduciary responsibilities and maintain the trust of all stakeholders involved in the Fund.

## 3. IDENTIFICATION OF POTENTIAL CONFLICTS

Conflicts of interest may arise in several contexts, including but not limited to the following:

- a) **At the Employee Level:** Employees of YSBFB may have financial or personal interests that conflict with their professional responsibilities toward the Fund.
- b) **At the Service Provider Level:** Third-party service providers engaged by the Fund may favor certain stakeholders over others, creating unequal treatment.
- c) **At the Investment Manager Level:** YSBFB may have competing obligations to other funds, entities, or proprietary investments.
- d) **At the Sponsor Level:** The Sponsor's activities and investments in other entities may interfere with its obligations to the Fund.
- e) **At the Investor Level:** Different investors may have conflicting financial, tax, or strategic interests in the Fund's investments.





- f) **At the Governance Body Level:** Governance structures, including the Investor Advisory Committee, may face internal disagreements over prioritizing Fund or stakeholder interests.
- g) **At the Group Entity Level:** YSBFB may manage other schemes that compete for similar investment opportunities, leading to allocation challenges.

#### 4. POTENTIAL SOURCES OF CONFLICT

Conflicts of interest may arise during the operations of the Fund due to various circumstances. Below is an elaboration of situations where such conflicts may occur and their implications:

##### a) INVESTMENTS IN COMPANIES WITH INTERESTS OF INTERESTED PARTIES

The Fund may invest in projects or companies where Interested Parties, such as YSBFB, its affiliates, or personnel, already hold existing stakes or have financial interests. These investments may occur on terms that are the same or different from those offered to the Fund. Such situations could result in a conflict of interest where the Interested Parties prioritize their returns, governance rights, or other benefits over those of the Fund. For example, pre-existing investments may influence valuation negotiations or terms of participation in the project. To mitigate this risk, YSBFB will ensure transparency and conduct all investments in a manner that safeguards the Fund's interests, including independent valuation and approval mechanisms.

##### b) FEES EARNED BY AFFILIATES

YSBFB, as the Investment Manager, or its affiliate entities may earn fees or commissions from transactions involving the Fund. These fees might include placement fees, advisory fees, or transaction-related commissions. While these fees are part of normal operations, they may create an incentive for YSBFB to prioritize decisions that maximize affiliate revenues over contributors' interests. For instance, certain transactions may be executed more frequently or with preferred affiliates to generate additional fees. To address this, YSBFB will disclose all such fees to contributors and ensure that they align with market standards and fiduciary obligations.

##### c) TRANSACTIONS WITH INTERESTED PARTIES

The Fund may engage in buying or selling investments with Interested Parties, including YSBFB or its affiliates. Such transactions may lead to conflicts in determining fair pricing, terms, or the use of proprietary information about the Fund's strategy. For example, YSBFB personnel with insider knowledge may influence these transactions to benefit the Interested Parties. To mitigate these risks, all transactions will be conducted on arm's

length terms and require independent valuation and approval by the governance body, such as the Investor Advisory Committee, ensuring transparency and fairness.

**d) ADVISORY ROLES IN PORTFOLIO COMPANIES**

YSBFB representatives or members of its investment team may serve as directors or advisors on the boards of portfolio companies. While this provides the Fund with strategic oversight and influence, it may also create conflicting fiduciary duties to both the Fund and the portfolio company. For instance, a YSBFB representative may gain access to confidential information from the portfolio company that cannot be shared with the Fund. Similarly, in cases of disputes or financial distress, the representative may face challenges in prioritizing the Fund's interests. YSBFB will address this through clear role definitions, confidentiality protocols, and periodic assessments of board participation arrangements.

**e) INVESTMENTS IN OTHER FUNDS AND PROPRIETARY VENTURES**

YSBFB may act as a sponsor or investor in other funds or proprietary ventures that operate in similar sectors as the Fund. Such overlaps could lead to competition for the same investment opportunities or unequal allocation of resources. For example, YSBFB may prioritize higher-return opportunities for its proprietary ventures or other funds it manages, creating perceptions of favoritism. To mitigate this, YSBFB will adhere to pre-established allocation policies that ensure equitable distribution of opportunities and disclose such policies to contributors.

**f) INTERACTIONS ACROSS MULTIPLE ACTIVITIES**

YSBFB and its affiliates engage in a range of advisory, management, and investment-related activities, including managing multiple funds. These activities could result in conflicts when YSBFB prioritizes one activity or project over another. For instance, YSBFB may allocate more time and resources to a fund with higher management fees or proprietary ventures, neglecting the Fund's operational needs. To address this, YSBFB will maintain detailed resource allocation plans and periodically review them to ensure that the Fund receives adequate attention and resources.

**g) CLIENT RELATIONSHIPS OF YSBFB GROUP**

YSBFB or its group entities may act as advisors to other clients, managed accounts, or funds that have competing investment objectives. For example, one client may seek to buy a particular security while another aims to sell it, creating a conflict in advice. Such conflicts may result in decisions that indirectly impact the Fund's investments or strategies. YSBFB



will disclose these relationships to contributors and implement internal controls to ensure that advice given to one client does not compromise the Fund's interests.

#### **h) ALLOCATION OF MANAGEMENT RESOURCES**

Key personnel of YSBFB managing the Fund may also have responsibilities for other funds, projects, or advisory roles, potentially leading to insufficient attention to the Fund. For example, a critical decision for the Fund may be delayed due to conflicting priorities with another fund or project. YSBFB will address this by ensuring adequate staffing levels and implementing service-level agreements that define minimum resource commitments to the Fund. Regular reviews of resource allocation will ensure compliance with these commitments.

#### **i) ALLOCATION OF INVESTMENT OPPORTUNITIES**

YSBFB may face conflicts when allocating investment opportunities across multiple funds or entities it manages. For example, an investment opportunity suitable for the Fund may also align with the mandates of other funds or proprietary investments. Allocation decisions in such scenarios could favor one entity over another, creating dissatisfaction among contributors. To ensure fairness, YSBFB will establish and disclose transparent allocation policies and adhere to them rigorously. Independent oversight will monitor compliance with these policies.

#### **j) CO-INVESTMENT OPPORTUNITIES**

YSBFB may offer co-investment opportunities to contributors, affiliates, or third parties alongside the Fund. While co-investments can enhance the overall investment value, they may also create disparities if co-investors receive more favorable terms than the Fund. For example, certain co-investors may negotiate reduced fees or preferential governance rights, which could dilute the Fund's influence. YSBFB will ensure that all co-investment arrangements are disclosed to contributors and that the terms are no less favorable than those offered to the Fund. Periodic reviews will assess the fairness of these arrangements.

#### **k) MANAGEMENT FEES**

Management fees paid to YSBFB as the Investment Manager may not always be determined through arm's length negotiations. Additionally, YSBFB or its affiliates may retain transaction fees unrelated to portfolio investments, potentially influencing decision-making. For example, higher fees may incentivize speculative investments or frequent transactions. YSBFB will disclose all fees and their rationale to contributors and ensure that they are aligned with industry standards and the Fund's objectives.

## l) ADDITIONAL RETURNS

YSBFB or its affiliates may earn additional returns linked to Fund performance. While this aligns incentives with the Fund's success, it may also encourage riskier investments to maximize returns. For example, YSBFB may pursue speculative opportunities that deviate from the Fund's core strategy. YSBFB will manage this by setting performance benchmarks that balance risk and reward, ensuring that additional returns align with contributors' interests.

## m) SHARED PROFESSIONALS

Professionals such as attorneys, accountants, or auditors engaged by the Fund may also provide services to YSBFB, its affiliates, or other funds it manages. This could create biases or confidentiality issues, especially during disputes or negotiations. YSBFB will ensure that, where necessary, the Fund engages independent professionals to safeguard its interests and avoid conflicts.

## n) CONFLICTING INVESTOR INTERESTS

Investors in the Fund may have diverse objectives, such as differing risk appetites, tax considerations, or liquidity preferences. For instance, one investor may prefer long-term investments while another seeks quicker exits. These conflicting interests may influence decisions around investment structuring or timing. YSBFB will act in the best interest of the Fund as a whole, balancing these priorities while disclosing potential conflicts to contributors.

## o) WAREHOUSING INVESTMENTS

YSBFB or its affiliates may warehouse investments on behalf of the Fund before their formal acquisition. This may involve holding costs, fees, or associated expenses that the Fund must reimburse. Such arrangements could lead to disputes over cost apportionment. YSBFB will document all warehousing arrangements transparently and ensure compliance with Fund Documents, maintaining fairness in cost-sharing practices.

## p) SHARED LEGAL COUNSEL

YSBFB or its affiliates may share legal counsel with the Fund, creating potential conflicts during disputes or negotiations. For example, shared counsel may face challenges in representing the Fund impartially. To mitigate this, YSBFB will engage independent legal



counsel for the Fund in situations involving significant conflicts, ensuring that the Fund's interests are protected.

q) **SHARED FACILITIES**

The Fund may use facilities or services provided by YSBFB or its affiliates, incurring charges for these resources. Such arrangements may lead to disagreements over cost allocation or perceptions of preferential treatment. YSBFB will establish fair and transparent agreements for shared facilities and benchmark these costs against industry standards to ensure equity.

## 5. MITIGATION MEASURES FOR CONFLICTS OF INTEREST

As both the Sponsor and Investment Manager of the Fund, **Yunus Social Business Fund Bengaluru Private Limited (YSBFB)** is committed to implementing robust measures to identify, monitor, and address conflicts of interest. The following mitigation strategies will be employed to ensure transparency, fairness, and the prioritization of the Fund's and its investors' interests:

a) **ACTING IN THE BEST INTERESTS OF THE FUND AND INVESTORS**

YSBFB will manage conflicts of interest in strict accordance with the obligations outlined in the Fund Documents. The Investment Manager will act in good faith and prioritize the best interests of the Fund and its investors in all its decisions and actions. This includes ensuring that all operations and transactions are aligned with the Fund's objectives and contributors' expectations.

b) **TRANSPARENCY IN CONFLICT MANAGEMENT**

YSBFB will adopt a transparent approach to managing conflicts of interest. Any actual or potential conflicts that arise, or are likely to arise, in relation to transactions or dealings between YSBFB, its affiliates, and the Fund will be disclosed to the relevant stakeholders promptly. Transparency will ensure that contributors are informed and can trust the integrity of the Fund's operations.

c) **FAIR TERMS FOR CONFLICTED TRANSACTIONS**

The Investment Manager will ensure that all transactions involving potential conflicts of interest are conducted on terms that are no less favorable to the Fund and its investors than if the conflict did not exist. This will include obtaining independent valuations, ensuring arm's length terms, and involving governance bodies such as the Investor Advisory



Committee for approvals. YSBFB's compliance culture and robust control systems will be integral to achieving these objectives.

### d) PROTECTING INVESTOR INTERESTS

YSBFB will take commercially reasonable steps to protect the interests of the Fund and its investors above all else. This includes ensuring that personal relationships, interests, or arrangements within YSBFB or its affiliates do not conflict with, or negatively impact, the Fund's operations or investment decisions. Investor interests will remain the paramount consideration in all activities and transactions.

### e) AVOIDING UNFAIR PROFITS

YSBFB will implement measures to prevent unfair profiteering by its affiliates, group entities, or personnel through transactions with the Fund. All dealings between the Fund and YSBFB-affiliated entities will be subject to rigorous scrutiny and conducted transparently. The Investment Manager will also make reasonable efforts to allocate business opportunities fairly among entities with fiduciary relationships, ensuring equitable treatment for the Fund.

### f) EQUITABLE ALLOCATION OF OPPORTUNITIES

The Investment Manager will take reasonable steps to ensure that business and investment opportunities are allocated on a fair and equitable basis among entities managed by YSBFB or to which it owes fiduciary duties. This includes applying pre-established allocation policies to prevent favoritism and ensuring that the Fund's interests are safeguarded in multi-entity engagements.

### g) ADEQUATE RESOURCE COMMITMENT

YSBFB and its management personnel will devote adequate time and resources to the operations and management of the Fund as required to fulfill their obligations effectively. This includes prioritizing the Fund's needs while balancing responsibilities for other projects or funds. Periodic reviews of resource allocation will be conducted to ensure the Fund's requirements are met.

### h) COMPLIANCE AND GOVERNANCE OVERSIGHT

YSBFB will maintain a strong compliance framework, supported by systems and controls designed to monitor, identify, and address conflicts of interest proactively. Governance mechanisms such as the Investor Advisory Committee will oversee and evaluate conflicted

transactions, ensuring alignment with the Fund's objectives and protecting investor interests.

### i) SEGREGATION OF FUNCTIONS

To ensure impartiality in stewardship activities, the Fund strictly separates the voting function from client relations and sales functions. The voting responsibility lies solely with the designated stewardship team, operating independently to avoid any influence from revenue-generating functions. Client-facing teams are excluded from voting-related decisions, ensuring alignment with the Fund's fiduciary obligations. Regular internal audits are conducted to uphold this separation and maintain governance integrity.

### j) RECUSAL PROTOCOLS

The Fund shall follow robust recusal protocols to manage conflicts of interest in stewardship activities. Employees or committee members with potential conflicts, such as personal stakes or relationships with investee companies, must disclose such conflicts and recuse themselves from related decisions.

## 6. REVIEW OF POLICY

This Conflict of Interest Policy will undergo an annual review by the Board of Directors of Yunus Social Business Fund Bengaluru Private Limited to ensure it remains relevant, effective, and aligned with regulatory requirements and industry best practices.

The review process will consider:

- i) **Regulatory Updates:** Incorporation of changes to SEBI regulations or other applicable laws.
- ii) **Operational Feedback:** Insights from the Investment Manager, compliance teams, and other stakeholders on the practical application of the policy.
- iii) **Evolving Best Practices:** Updates to align with current industry standards and ethical expectations.

## 7. PUBLIC DISCLOSURE

In adherence to transparency requirements, this policy will be disclosed to all relevant stakeholders, including investors, and made available through appropriate channels such as investor reports or the Fund's official website. Any significant updates or amendments to the policy will be promptly communicated to stakeholders to maintain trust and accountability.

