



Himalayan Fund N.V.'s Principles on Fund Governance

1. Introduction

Himalayan Fund N.V. (hereafter also referred to as the “Fund”) is a Dutch listed investment company with variable capital managed by its Board of Directors. Ian McEvatt is Chairman of Himalayan Fund N.V. The Fund has a Board of four: Ian McEvatt, Dwight Makins, Robert Meijer and Karin van der Ploeg. Mr. Meijer and Mrs. Karin van der Ploeg are Dutch nationals and are considered executive directors; Mr. Makins is an independent non-executive director. Karin van der Ploeg is a partner in the legal services firm of Inviqta.

Himalayan Fund N.V. has no employees. It has agreements with Caceis Netherlands N.V. for administration services, with Inviqta for company secretarial and domiciliation services and with various banks for custodial and listing agent services.

Iceman Capital Advisors Ltd. holds Priority Shares with a fixed nominal value of EUR 9,999; these shares only participate in the capital of the company to the extent of their nominal value. They carry rights and obligations as defined in the Articles of Association.

Mr. Makins and Mr. Meijer periodically check the procedures and records of the work of the administrator, the dealing ability and services of the brokers used, and the security of the custodian banks. The Investment Committee of the Fund is responsible for the management of the Fund. As from 1 October 2012 the Investment Committee receives research support from Indasia Fund Advisers Pte. Ltd. of Mumbai and Mr. Ian McEvatt; Mr. Makins and Mr. Meijer are both members of the investment committee of the Fund.

The directors endeavour to avoid conflicts of interest with investors in the Fund; if any conflict of interest should arise it will be resolved in favour of shareholders' interests, in accordance with these Principles on Fund Governance.

The purpose of this document is to describe how Himalayan Fund N.V handles governance issues.

2. Fund Governance

Himalayan Fund N.V. mainly operates in India and in the Netherlands. The Fund is committed to managing its activities in a transparent, fair and reasonable matter. This means that paramount attention is given to managing potential conflicts of interest.



Should conflicts of interest nevertheless occur, the Fund will deal with these situations in accordance with its legal duty to act in the best interest of its investors.

To accomplish this the Fund has defined the set of principles given below for specific situations commonly defined as conflicts of interest. When dealing with a potential conflict of interest, the Fund will primarily endeavour reasonably and fairly to apply the specific principles defined herein. In situations that may not be covered by the principles, the Fund will in general seek to apply international best practices to the extent available. The Fund pledges to resolve any such situation having due regard for the interests of the investor and its legal duty as to act in the best interest of the investor, after reasonable and fair consideration of relevant facts and circumstances.

As far as appropriate, a segmentation between investment decisions, settlement of transactions, administration of transactions and control is in place to prevent (potential) conflicts of interest as described above. The investment company has installed 'Chinese walls' in order to manage the flow of price-sensitive information and other confidential market information.

There is an organizational, physical and personnel segregation between the business units to the extent that this is reasonably necessary, relative to their activities. This means that appropriate information-sharing barriers are in place to prevent dissemination of sensitive market information. No price-sensitive or confidential market information is exchanged between business units other than is required to effectively carry out their work.

The final part of the Fund's governance is formed by periodic reviews of the application of the fund governance principles in day to day business operations. These reviews are carried out by Inviqta ("Reporting Entity") and focus on all identified issues as described below. The Fund ensures that the Reporting Entity shall have access to all relevant information. The outcome of these reviews is reported to Dwight Makins in his capacity as Oversight Entity and to the Board of Directors of the Fund at least 3 times a year.

3.Fund Governance Principles

Third party relations

Himalayan Fund N.V. ensures that, when relevant, the selection of counterparties for trade execution (brokers) will take place according to defined procedures and criteria, taking into account execution capability.

Asset Valuation

Himalayan Fund N.V. ensures that valuation of assets and calculation of Net Asset Values (NAV) will be performed independently from the portfolio management function.



Fund Unit Trading

Himalayan Fund N.V. has procedures to prevent late trading in the Fund, i.e. does not accept orders of clients after the determined cut-off time of the Euronext Fund Service (“EFS”). In order to protect the Fund from the potential negative impact of market timing transactions, the Fund has taken several measures such as calculating NAV after cut-off time of EFS.

Shareholder Rights

Himalayan Fund N.V. will publish on its website and in its annual report its policy of shareholder voting rights attached to the portfolios it manages. For the time being the Fund has decided not to make use of its voting powers on shares of the companies in which the Fund invests.

Transparency

Himalayan Fund N.V. strives for an open relationship with the investors by providing relevant, clear and understandable information in accordance with the applicable laws, regulations and the Fund’s conditions. This includes just, timely and fair information on investment policy, investments, risks, costs and advisory fees, affiliated parties and outsourcing.

The characteristics of the Fund shall be clear, the risks shall be explained and there shall be no ambiguous conditions. All fees charged by the Fund and their connection to services rendered shall be clear. The Transaction Price which is applied to all trades in the Fund’s shares on Dealing Days will be calculated by applying a subscription/redemption charge of 0.35% to the Net Asset Value per share calculated by the Administrator on Dealing Day. No other fees or charges will be applied except to comply with changes in regulations as may arise from time to time.

Change in the conditions of the Fund

During the lifetime of an investor’s investment it is possible that the Fund’s conditions may change. In that case the Fund will inform its investors in the appropriate manner in good time and in accordance with applicable laws, regulations and the Fund’s conditions. The Fund strives to ensure that such information is easily accessible, clear and understandable for all investors. If the proposed changes have a negative impact on conditions for the investor (e.g. a rise in fees), or if changes in the investment policy of the Fund are proposed which would change the risk profile of the Fund, the investor always has the legal right to divest on the then prevailing conditions within a given reasonable period before the proposed changes are effected.

Best execution

In implementing and executing investment decisions, the Fund shall as a general rule take reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant consideration. At this



time the Board of Directors can see no circumstances in which transactions might arise with related parties.

Fair allocation

The Fund manages only one portfolio, therefore the question of fair allocation of trades does not arise. All trades ordered by the Fund through any of its brokers are for the portfolio of the Fund only. The Board of Directors can see no circumstances in which the need for aggregating transactions might arise.

The principle of 'conscientious consideration'

However well defined and refined, a system of specific principles, even while supplemented with a set of international best practices, cannot always guarantee sufficient external guidance to deal with each specific conflict situations. The Fund therefore pledges that it shall, in all cases, endeavour to resolve any governance issue having due regard for the interests of the investor and it's legal duty to act in the interest of the investor and after reasonable and fair consideration of relevant facts and circumstances. This process, called *conscientious consideration* shall be conducted within the board of Himalayan Fund N.V. as the highest authority within the organization.

Transaction fees and soft commissions

Transaction fees only cover those services that directly benefit the Fund. Soft commission arrangements are permitted as long as the services paid for with soft commissions are directly instrumental for improving the investment decision-making process and on condition that the transaction fees are customary and reasonable relative to the brokerage services provided. Services paid for with soft commissions may include research and securities advice. These services improve the investment process and are therefore beneficial to the investors in the Fund. In the Indian markets, brokerage commissions are highly competitive and rebates or soft commission arrangements are not normal practice.

Securities lending

The Fund is transparent in the prospectus and its annual report with regard to the possibility of lending the portfolio securities of the fund. The risk/reward relationship of lending activities for the Fund shall in essence be reasonable and fair and in line with market practice. The Fund will act in accordance with best practices. At the time of writing, the Board is of the opinion that the prospective benefits to be gained from stock lending do not justify the operational risk. Furthermore, given some evidence that aggressive stock lending may have exacerbated market volatility during the recent market crisis, the Board decided not to participate in stock lending as a matter of policy



Personal interest and remuneration

Himalayan Fund N.V. endeavours to structure its remuneration systems in line with market practices and in such a way that conflicts with investors' interests are prevented. Participation by staff and members of a possible supervisory board is considered as a 'stake of confidence'. The Fund receives an annual confirmation of the Board stating that they are in compliance with these principles of fund governance. This is to ensure that the Fund can steer clear of appearing to act with inside information.

Costs and damages as a result of operational errors

In a human environment operational errors can never be entirely excluded. The Fund may adopt a policy in which damages, exceeding a certain minimum level and caused by errors in the calculation of the NAV of the Fund, shall be compensated. The Fund shall adopt a policy with regard to the costs of other operational errors and may take out at its expense insurance coverage for damages and costs arising from the consequences of operational errors. The Fund will also take out insurance to cover the liability of Directors and Officers for errors and omissions as prescribed by regulation.

Shareholder meetings of the Fund

The Fund (as far as this lies within its power) will endeavour to ensure that beneficial owners of its shares can participate in shareholders' meetings of the Fund. The Fund will inform investors of the time and location as well as the agenda of such meetings in accordance with the applicable laws, regulations and the Fund's terms and conditions.

4. Implementation and monitoring of Fund Governance

The principles of fund governance are implemented by Himalayan Fund N.V. as follows:

- a. The Fund has defined its principles of fund governance and has identified the main areas for potential conflict of interest between the Fund and investors;
- b. The Reporting Entity acts independently from operational functions, is equipped with adequate resources and has access to all relevant information;
- c. Compliance with Fund Governance will be monitored by periodic reviews of the application of the Fund Governance principles. The reviews are carried out by the Reporting Entity and focus on all identified governance issues as described above. The outcome of these reviews is reported to the Board of Directors of the Fund and the Oversight Entity
- d. The Principles of Fund Governance are published on the Fund's website.



5. Conclusion

The Principles herein are a living instrument, defining practices which are in keeping with current market conditions. To stay abreast of constantly changing circumstances in the financial environment, the Fund will closely follow developments in fund governance, identifying (international) trends and seeking remedies to new challenges.

The Fund is aware that trust and integrity play an important role in the financial industry. It is our sincere intention that these Principles of Fund Governance will help to maintain a culture in which professional and ethical behaviour of the staff of Himalayan Fund N.V. is recognized, valued and promoted.

Amstelveen, 5 April 2013