



UNION MUTUAL FUND

STEWARDSHIP CODE

AND

VOTING RIGHTS POLICY

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STEWARDSHIP CODE AND VOTING RIGHTS POLICY OF UNION ASSET MANAGEMENT COMPANY PVT. LTD.

I. INTRODUCTION:

Union Asset Management Company Private Ltd. ("the AMC) is the Asset Management Company for Union Mutual Fund. In terms of the SEBI Circular no. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010, SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI Circular No. CIR/CFD/CMD1/168/2019 dated December 24, 2019 issued by the Securities and Exchange Board of India (SEBI), as amended from time to time, the AMC has set out this Stewardship Code and Voting Rights Policy (hereinafter referred to as "**This Policy**").

The importance of institutional investors in capital markets across the world is increasing, and they are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies. Such activities are commonly referred to as 'Stewardship Responsibilities' of the institutional investors and are intended to protect their client's wealth.

Whilst the Investment Policy of Union Mutual Fund governs the investment function, this Policy contains the set of stewardship principles and guidelines to engage with the management of investee companies and to exercise voting rights on shareholder resolutions of Investee companies. This Policy contains the stewardship principles as prescribed by SEBI and the principles that form the basis for exercise of all voting rights attached to the securities issued by the Investee Companies. In general, the AMC does not have the intention to participate directly or indirectly in the management of the companies but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its fund's unit holders.

II. STEWARDSHIP PRINCIPLES

1. Key Stewardship responsibilities

1.1 Primary Stewardship Responsibilities:

The AMC shall:

- i. take into consideration the performance (operational, financial, etc.), strategy, corporate governance practices (including board structure, remuneration, etc.) of investee companies, when undertaking buy and sell decisions;
- ii. enhance shareholder/investor value through productive engagement with investee companies;
- iii. vote on matters including material environmental, social and governance principles in a manner which is in the best interests of its shareholders/investors;

1.2 Discharge of Stewardship Responsibilities:

The AMC shall discharge its stewardship responsibilities through:

- i. voting on shareholders' resolutions, as may be necessary to protect the long term interest of shareholders/investors;
- ii. engaging with the investee company through discussions with management, interaction with investee company boards etc. as stated in this Policy on a best effort basis.

1.3 Responsibility for oversight of the stewardship activities:

The Investment Team shall ensure implementation of stewardship principles as enumerated in this Policy.

The Investment Committee shall monitor and oversee the AMC's stewardship activities.

Further, the AMC shall ensure that the personnel involved in the implementation of the principles of the Policy are adequately trained to carry out their responsibilities under the Policy.

The AMC may avail the services of external agencies in discharging its Stewardship responsibilities. If the AMC avails the services of external agencies in discharging its

Stewardship responsibilities, then the Investment Committee shall ensure that the Stewardship responsibilities are exercised properly and diligently.

2 Managing Conflict of Interest

2.1. A conflict of interest exists where the interests or benefits of the AMC conflict with the interests or benefits of the shareholders/investors or the investee company.

2.2. Avoid conflict of interest: The AMC shall undertake reasonable steps to avoid actual or potential conflict of interest situations. The AMC shall be guided by the Conflicts of Interest Policy of the AMC and this Policy with a view to manage conflicts of interest in fulfilling its stewardship responsibilities.

2.3 Identifying conflict of interest: While dealing with investee companies, the AMC may be faced with a conflict of interest, inter alia, in the following instances, where:

- i. the AMC and the investee company are part of the same group or are associates; or
- ii. the AMC has proprietary investments in the investee company; or
- iii. the Investment Team of the AMC has personal investments in the investee company.

2.4. Manner of managing conflict of interest:

The AMC has adopted several general organisational arrangements with a view to managing potential conflicts. The effectiveness of these procedures and measures is being reviewed regularly and amended in line with changes in the law, the regulatory framework and any changes in the business activities of the AMC.

In this regard, the AMC has in place a Conflicts of Interest Policy which inter alia contains the procedures to be followed in case a conflict of interest occurs and a non-exhaustive list of typical examples of situations where conflicts may arise along with the procedures in place to address such a conflict. These procedures and measures shall be followed by the AMC to manage conflicts of interest in fulfilling its stewardship responsibilities. There shall be clear segregation

of voting function and the client relations/ sales functions. Further, on a case to case basis, the AMC may decide to have a blanket ban on investments in certain cases or may refer such conflict of interest matters to the Investment Committee. The records of minutes of decisions taken to address such conflicts shall be maintained. Further, with regard to voting in cases where conflict of interest exists, refer to sub-point no. 5.4 'Conflict of Interest' under the point 5 on 'Voting and disclosure of voting activity' in this document.

3 Monitoring of investee companies

3.1. The Investment Team of the AMC shall be guided by the Investment Policy of Union Mutual Fund and this Policy for the continuous monitoring of the investee companies in respect of all aspects which the AMC considers important which shall include performance of the companies, corporate governance, strategy, risks etc.

3.2. Manner of Monitoring:

- i. The Investment Team led by the Chief Investment Officer shall be responsible for the monitoring of the investee company's strategy, performance, quality of company management, board, leadership, corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.), related party transactions, risks, including Environmental, Social and Governance (ESG) risks, Shareholder rights, their grievances etc., which shall be on a best effort basis.
- ii. The AMC may use publicly available information, management meetings, sell side research and industry information and may engage with the investee companies through investor analyst calls/meetings, if held, to monitor the investee companies.
- iii. The AMC may to the extent feasible attend general meetings and other meetings conducted by the management of the investee company to which it is invited. There might be instances where the management of the company is not accessible or where the Investment Team believes that there is no incremental information to be obtained from the management. In such cases, monitoring could be through other external sources, on a best effort basis.
- iv. Subject to compliance with the Investment Policy of Union Mutual Fund, the Investment Team shall monitor investee companies as required by this Policy depending on the level and nature of holdings in the investee companies.

For example:

- (i) companies where larger investments are made may involve higher levels of monitoring vis-à-vis companies where amount invested is insignificant from the point of view of its assets under management; or
- (ii) if the holding is in Schemes that are Exchange Traded Funds (ETF) or Index Funds or which are a part of arbitrage position in any Scheme, then the level of monitoring may not be high as these holdings are not active holdings or positions in the underlying companies.

3.3 While dealing with the investee companies, the AMC shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015, the related SEBI circulars and the Prohibition of Insider Trading Policy of the AMC, as amended from time to time.

4 Active Intervention in the investee companies including collaboration with other institutional investors

4.1. The AMC shall monitor the investee companies continuously as required by the Investment Policy of Union Mutual Fund and this Policy. The AMC may intervene if, in its opinion, intervention is required to protect value of the investment and for discharging its stewardship responsibility. Circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

4.2. Intervention by the AMC:

The decision for intervention shall be taken by the AMC on a case to case basis based on all available facts of the investee company at that point of time. The AMC may decide to intervene if it believes that its intervention is required to protect value of the investment and for discharging its stewardship responsibility. Intervention may also be considered even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.

4.3. The manner of intervention may include the following, depending on a case to case basis:

- i. If the AMC believes that any proposal by the management of the Investee Company is not in the interest of the shareholders, then the AMC may try to raise its concerns to the management of the investee company. On a case to case basis, the AMC may decide to vote against any resolutions that go against the interest of the unit holders.
- ii. The AMC may seek clarifications from the investee companies, should there be insufficient information/disclosure or non-compliance of any Regulations or any adverse impact to shareholder value etc.
- iii. The AMC may nominate a representative to attend the meetings of shareholders so that such concerns can be raised and brought to the attention of the management as well as other shareholders.
- iv. In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the AMC within a reasonable timeframe, the AMC may take all reasonable steps to highlight the concerns to the Board of Directors of the investee companies (through a formal written communication/ meetings etc.).
- v. On a case to case basis, the AMC may take appropriate steps in the interest of the investors to resolve the concerns including exiting its investments.
- vi. The AMC may consider collective engagement with other institutional shareholders on a general basis and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. The AMC may approach, or may be approached by, other institutional shareholders to provide a joint representation to the investee companies to address specific concerns.
- vii. Depending on the facts of the case and if other Mutual Funds also have investments in the investee companies, the AMC may decide to write to the Association of Mutual Funds in India (AMFI) with a request to represent the Mutual Fund Industry in highlighting to the investee companies the common concerns of the Mutual Fund Industry in the investee companies.

5 Voting and disclosure of voting activity

5.1 Philosophy:

Voting Right means, the right of a shareholder to vote on matters of corporate policy and other resolutions. The exercise of voting rights requires the regular monitoring of financial performances, corporate governance matters, industry performances and subsequent consideration of the potential impact of a vote on the value of the securities of the issuer held by the schemes of Union Mutual Fund. In order to discharge its obligations under this policy, the AMC accesses and utilizes research on management performance and corporate governance issues, drawn from its in-house research team, independent research firms amongst others.

The Schemes are entitled to exercise the voting rights attached to the shares held by the respective schemes. The shareholders do not necessarily need to be physically present at the site of the company's annual meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote by proxy and accordingly the AMC may do so.

In connection herewith, the AMC will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments. This may imply that the AMC through its representatives may decide to refrain from exercising its voting rights if considered appropriate.

The AMC will generally vote with the issuer company's management on routine matters where the AMC does not have a differing point of view. With respect to non-routine matters such as proposed take-over, merger etc., the financial impact will be analysed and the vote will be cast on a case by case basis. Mutual fund assets will only be voted in the exclusive interest of the unit holders, without taking into consideration the interest of the businesses of associated Companies. The strict separation of the AMC's asset management activities from other activities within associated companies prevents access of the Asset Management Company to insider and price sensitive information for which use and/or disclosure of such information could generate conflicts of interest. As a result, Union Group companies inter se may vote differently on a voting issue.

The AMC will generally Abstain from voting for the following reasons

- i. The Information available in the notices is not sufficient to take any decision to vote for or against a resolution.
- ii. The Holding is in Schemes that are Exchange Traded Funds (ETF) or Index Funds or which are a part of Arbitrage position in any fund. As these holdings are not active holdings or positions in the underlying companies, the AMC will abstain from voting on any resolutions from such holdings
- iii. The Holding is in Group Company
- iv. The Schemes of the Union MF held the securities as on the record date but these have been sold prior to the date of the meeting.
- v. The issues presented in the resolutions are unlikely to have a material impact on shareholder value and consequently the unit holders.

5.2 Voting Guidelines:

The list of corporate matters for which voting rights may be required to be exercised is very wide.

However some of the matters are critical for the investors and may impact the value of the investment in the long run. Broadly,

- i. The AMC supports resolutions that change the state of incorporation, merger and other corporate restructuring etc. which are in the interest of the shareholder (respective schemes of Union Mutual Fund).
- ii. The changes to the capital structure proposed by the company management, which the AMC believes to be in the long term interest of the company and the shareholders shall be supported and the AMC shall oppose such requests as are appearing to be unreasonably dilutive.
- iii. The AMC shall support proposals for employee equity compensation plans and other employee ownership plans including management compensation and employee benefits provided the same are perceived by the AMC to be in the long term interest of the company and shall enhance shareholders value. The AMC shall oppose overly generous stock options which could dilute existing shareholders value and also employee compensation perceived to be excessive.

- iv. The AMC shall evaluate issues relating to social and corporate responsibilities and may support matters which are believed to have significant socio-economic benefits but are not at a cost to the shareholders value.
- v. The AMC shall support the Board's nominees in the election of Directors and generally support proposals that strengthen the independence of the Board of Directors. The AMC believes that the foundation for good corporate governance is the selection of responsible, qualified, independent corporate Directors who are likely to diligently represent the interest of the Shareholders and oversee the management of the company in a manner that will seek to maximise shareholder value over time.
- vi. Other proposals submitted to shareholders related to selection of the auditors, amendments to the company's charter or by-laws and Issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, would be addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. The AMC reserves the right to vote against any resolution that goes against the interest of its unit holders.

5.3 Decision Making Process:

The decision regarding the voting on the resolutions of the Investee companies, i.e whether the AMC will vote for or against the resolution or refrain from voting shall be taken by research analysts/ fund managers and approved by the Chief Investment Officer (CIO). In case the CIO is unavailable, the approval will be given by the Chief Executive Officer (CEO).

The AMC may consult other Institutional Shareholders and/ or may consider the inputs from external independent voting advisory agencies such as Institutional Investor Advisory Services India Limited (IIAS) to arrive at the decision, if so required. The scope of services availed from such an external firm would be to provide recommendations to the AMC relating to the voting on the resolutions of the investee companies. The AMC may rely upon/use recommendations made by such a firm to the extent the AMC agrees with the view / recommendation made by the firm.

5.4 Conflict of Interest:

The AMC by virtue of being promoted by a large Financial Institution with many affiliates may be in a situation of conflict of interest. Conflict of interest may arise on account of the following situations

- i. the AMC and the investee company are part of the same group or are associates; or
- ii. the AMC has proprietary investments in the investee company; or
- iii. the Investment Team of the AMC has personal investments in the investee company.

In such cases, the AMC will continue to ensure that the voting is in the best interest of the unit holders. However, if, in the opinion of the AMC, the AMC is highly conflicted in any particular resolution, the AMC may refrain from voting in such a case.

5.5 Review and Control Process:

The Investment Committee of the AMC shall review the voting rights exercised by the AMC periodically.

On an annual basis, the AMC shall obtain Auditor's certification on the voting reports disclosed. Such auditor's certification shall be submitted to the Board of Directors of the Trustee Company and also disclosed in the relevant portion of the annual report distributed to the unitholders & on the website of the AMC.

The Board of Directors of the AMC and the Trustee Company shall review and ensure that the AMC has voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation to the same, along with any adverse comments made by the auditors, shall be reported to SEBI in the half yearly trustee reports.

5.6 Delegation of Authority:

Any of the following personnel/ representatives of the AMC or an externally authorised agency would be delegated the responsibility for exercising the voting rights by the Managing Director or the CEO (by whatever designation called) or the CIO:

- CIO
- Fund Manager (s)
- Head – Compliance
- Company Secretary
- Head – Research/ Research Analyst(s)
- Any other representative thought fit, depending on the matter on which vote is to be exercised.
- Representative of an externally authorized agency such as the Custodian

5.7 Exceptional circumstances:

There may be circumstances where the AMC believes it is in the best interests of a Fund to vote differently than in the manner contemplated by the Guidelines. The ultimate decision as to the manner in which the AMC's representatives / proxies will vote rests with the AMC.

5.8 Disclosures:

This Policy shall be disclosed on the Website of the AMC. Further, the Policy pertaining to Voting shall also be published in the Annual Report distributed to the Unit Holders. The actual exercise of the proxy votes in the AGMs/EGMs of the investee companies including the specific rationale supporting its voting decision (for, against or abstain) with respect to each of the following vote proposals shall be disclosed in the Annual Report to the Unit Holders and on the Website of the AMC:

- i. Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions.
- ii. Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
- iii. Stock option plans and other management compensation issues;

- iv. Social and corporate responsibility issues
- v. Appointment and Removal of Directors.
- vi. Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.

The above mentioned disclosure of votes cast (for, against or abstain) including the specific rationale supporting its voting decision shall be made by the AMC in the annual report distributed to the unitholders and /or the website of the AMC as follows, in the format prescribed by SEBI, as amended from time to time:

- a) Disclosure of votes cast on the website on a quarterly basis, within 10 working days from the end of the quarter.
- b) Disclosure of votes cast in the annual report and on the website, on an annual basis.
- c) Additionally, a summary of the votes cast across all the investee companies and its break-up in terms of total number of votes cast in favour, against or abstained from shall be published.
- d) Auditor's certification on the Voting Reports shall be disclosed in the annual report and on the website.

6 Reporting of Stewardship activities

The AMC shall report to the unit holders of Union Mutual Fund periodically on how it has fulfilled its stewardship responsibilities as per this policy in an easy-to-understand format.

However, it may be noted that the compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the AMC to sell a holding when it is in the best interest of clients or beneficiaries.

The AMC shall report periodically on its stewardship activities in the following manner:

- i. A report may be placed on the AMC's website on implementation of every principle. Different principles may also be disclosed with different periodicities. E.g. Voting may be disclosed on quarterly basis while implementation of conflict of interest policy may be disclosed on an annual basis. Any updation of policy may be disclosed as and when done.
2. The report may also be sent as a part of the annual intimation to the unit holders.

III. REVIEW OF THE POLICY:

This Policy shall be subject to annual review.