



## **UNION MUTUAL FUND**

## **VOTING RIGHTS POLICY**

## **VOTING RIGHTS POLICY OF UNION ASSET MANAGEMENT COMPANY PVT. LTD.**

### **Background:**

Union Asset Management Company Private Ltd. (The AMC) is the Asset Management Company for Union Mutual Fund. In terms of the SEBI circular dated 15th March 2010 issued by the Securities and Exchange Board of India (SEBI), as amended from time to time, the AMC has set out this Voting Policy. The Policy contains 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.

### **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

1. The Information available in the notices is not sufficient to take any decision to vote for or against a resolution.
2. 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
3. The Holding is in Group Company
4. 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
5. The issues presented in the resolutions are unlikely to have a material impact on shareholder value and consequently the unit holders

#### **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,

1. 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).

2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

#### **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 jointly taken by

the Fund Manager and the Chief Investment Officer (CIO). In case the CIO is the Fund Manager or in case the CIO is absent, the decision will be taken jointly by the Fund Manager and the Chief Executive Officer (CEO).

The AMC may consult other Institutional Shareholders and may consider the inputs from external agencies to arrive at the decision, if so required.

#### **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

1. The Investee Company is a Group Company of the AMC
2. The Investee Company is a client of the AMC, by virtue of its investments in the schemes of Union Mutual Fund
3. The affiliates of the AMC are lenders to the Investee Company
4. The Investee Company has a business association with the AMC.

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.

#### **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.

**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

**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.

**Disclosures:**

This Policy shall be disclosed on the Website of the AMC and 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:

1. Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions.
2. Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
3. Stock option plans and other management compensation issues;
4. Social and corporate responsibility issues
5. Appointment and Removal of Directors.
6. 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.

**Review of the Policy:**

The Policy shall be subject to annual Review.