

UTI Mutual Fund – Corporate Governance Policy on Exercising Voting Rights

Background

UTI Asset Management Company Ltd (UTI AMC), the Investment Manager of UTI Mutual Fund (UTI MF) is responsible, in its fiduciary capacity, to act in the best interests of its unit holders which, inter alia, include exercising voting rights attached to the equity shares in which Mutual Fund Schemes invest.

As per the Securities and Exchange Board of India (SEBI) circular no. IMD/CIR/ No 18/198647/2010 dated March 15, 2010 and principals enumerated by SEBI vide its circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019, AMCs are required to frame a general policy and procedure for exercising the voting rights in respect of shares of listed companies held by them and disclose the same on the website of the respective AMC as well as in the Annual Report distributed to the unit holders from the financial year 2010-11. Further, as per the said circular, the AMCs are also required to disclose the actual exercise of their proxy votes in the AGMs/EGMs of the investee companies in respect of the following matters:

- a) Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti takeover provisions.
- b) Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
- c) Stock option plans and other management compensation issues.
- d) Social and corporate responsibility issues.
- e) Appointment and Removal of Directors.
- f) Any other issue that may affect the interests of the shareholders in general and interests of the unit-holders in particular.

As the Investment Manager of various Schemes of UTI MF, UTI AMC believes in enhancing and protecting the value of investment of its unit holders. One of the missions of UTI AMC is to be “a socially responsible organization known for best corporate governance”. UTI AMC further believes that it is its duty to protect the interests of unit holders from unscrupulous acts of some of the promoters and management of such Companies.

To protect the interests of its unit holders, in line with its mission, existing practices and SEBI guidelines, UTI AMC has framed the following policy on exercising the voting rights in investee companies.

UTIMF Voting Policy:

The investments of UTI MF Schemes are guided by internal guidelines, inter alia, to invest in companies, which have acceptable standards of effective management, follow good corporate governance practices and have fundamental strengths. The voting policy will continue to be guided as under, keeping in view the adherence to sound management practices by Investee companies.

- i) Routine matters like a) Approving Balance Sheet & Profit and loss Account, b) Appointment of directors, c) Appointment of Auditor, d) Fixation of remuneration of Auditors/Directors may not be objected in the normal course unless and otherwise it adversely affects the interests of the unit holders.
- ii) Voting in respect of any important agenda items/Resolutions affecting to our investment like

a) **Merger, Demerger, Acquisition, hiving off division, takeover proposal:**

UTI AMC will continue to generally support merger/demerger/acquisition/hiving off division of company if the same enhances equity shareholders' wealth, is carried out in a transparent, conducive environment, is within the applicable laws, rules and regulations of the country and does not otherwise adversely affect the interests of the unit holders of the schemes of UTIMF. Any hostile takeover by investee company will be generally discouraged by UTI AMC so as to not to destabilise the company.

b) **Diversification, expansion, incorporation of subsidiary company, related party transaction:**

UTI AMC will continue to welcome and encourage expansion/diversification of the company's businesses which have the potential to enhance shareholder value. Unrelated diversification by the company, where UTI AMC understands that the company has no expertise and experience and which could prove a drain on the company's capital, will not be encouraged. Company's related party transactions will continue to be examined carefully to protect the value of investment.

c) **Changes to capital structure:**

Companies raising capital for business growth will generally be supported if investment value of existing shareholders is not adversely affected.

d) **Preferred stock issuance, stock option plans, unreasonable Bonuses and/or compensation to management:**

UTI AMC believes in rewarding people, who perform well and assist their company to achieve its goals and objectives. However, any undue and unreasonable bonuses or remuneration etc. paid to managerial staff more particularly during turbulent periods for the company and undue favour to managerial staff or the Promoter Group will not be supported.

e) **Proposal of unusual high payments for any purpose, Social and Corporate responsibility issue:**

UTI AMC permits proposal for payment for performing social and corporate responsibility obligations which are within the laws of the land. Any unusual/ higher payments will be opposed.

f) Appointment and Removal of Directors

UTI AMC will continue to encourage having maximum number of professional, experienced and independent directors on the Board to ensure a high level of corporate governance in the investee company. UTI AMC generally supports appointment of directors, who possess a good track record.

- g) Changes in location of registered office of the company or any other matters including those as mentioned above that may affect the interests of shareholder, will be decided based on the factors including equity holding in the company, impact on UTI AMC's investment, adequacy of information, conflict of interest, protection of shareholders' interests.
- iii) In addition to the above, depending on the nature of other proposed agendas which is not specifically covered above, the fund management team, in consultation with the research team and if required other concerned departments of UTI AMC, will take an appropriate view to protect the value of investment in the investee company.

If required, UTI AMC may consult other shareholders of the company in respect of the agenda/s proposed to be objected to protect the interests of unit holders.

UTI AMC will generally follow the voting policy as detailed above, however, if the relevant facts and circumstances so warrant, it may act differently to protect the interests of its unit holders.

Conflict of Interest:

Policy for investment in Group Companies of UTI AMC and investment in Companies which have invested in the Schemes of UTIMF:

Investment by the Schemes of UTI MF in the Group Companies of UTI AMC, if any, will be made in accordance with the SEBI (Mutual Funds) Regulations 1996 and reports for such investments will also be filed with SEBI as required under these Regulations. In such cases, UTI AMC also recognizes that there may be potential conflict of interest when UTI AMC will have to take decision for voting on Resolutions of

- a) Entities including the group companies of UTI AMC or otherwise with which it may have some relationship, and
- b) Companies that have substantial investments in the units the scheme/s of UTIMF.

In such circumstances, UTI AMC will continue to review all voting proposals, routine as well as non-routine, and perform its duties in a responsible manner keeping in mind the best interests of unit holders, in line with the regulatory requirement. Executive Investment Committee will look after any issues/escalation arising out of any conflict or in general.

Circumstances favoring Abstaining from voting:

Depending upon the agenda items, there can be instances where the UTI AMC may not attend the meeting in case it is not impacting materially either the shareholders' value or the interests of unit holders or any other reason.

Applicability:

The policy applies to exercise the voting rights/proxy votes by the nominated members of UTI AMC in the AGMs /EGMs of Equity shareholders of the investee company where the Schemes of UTI MF have investments.

Decision Making Process

UTI AMC has a well-laid down decision making process outlining criteria to vote in favour or against or to abstain on the resolution/agenda items keeping in mind the interests of its unit holders. A separate cell under Department of Fund Management (Dealing) of UTI AMC would carry out operational activities in the subject matter. For casting vote it may use any mechanism (e.g. e-voting, physically attending meetings, voting through proxy, etc.) as per importance of agenda items, need of situation and convenience.

UTI AMC Ltd. may utilize the services of unaffiliated third party professional agencies for getting in depth analyses of proposals, their voting recommendation and services to exercise proxy voting and maintenance of related data. At present UTI AMC is taking the services of Institutional Investors Advisory Services (IIAS) and Stakeholders Empowerment Services (SES). Services of third party professional agencies would be recommendatory in nature and not binding on UTI AMC. UTI AMC would only take a final decision in case of voting on proposal.

Review, Control and Modification

The Boards of UTI AMC and UTI Trustee will review the voting policy whenever there is need due to change in statutory/ regulatory guidelines and policies. UTI AMC management may review and modify, if required, its decision making process, delegation of power and internal control mechanism as per requirements from time to time.

Reporting to the Board

Board of UTI AMC and UTI Trustee would be apprised regarding voting exercised by UTI AMC on behalf of its schemes on half yearly basis.

Disclosure and Record Keeping

The data on voting exercised or otherwise is maintained in electronic / physical mode covering all equity holdings across all schemes of UTIMF and the same is disclosed Quarterly and Annually on UTI MF website as well as in the Annual Report as per the format prescribed by SEBI from time to time. The disclosure includes name of the company, meeting date, details of resolution, Details of actual voting done by UTI AMC for every proposed resolution in investee Companies and brief rational of voting decision. A certificate from scrutinizer is also taken annually and displayed on the website of UTI MF, as per concerned SEBI Circular.