

# **L&T FINANCIAL SERVICES**

**(“LTFS”)**

## **Voting Policy**

**Applicable to L&T Mutual Fund**

### **Document review and approval**

Voting policies and procedures  
Version 1.7

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LTIM Confidential Information  
Owner: Fund Management - Equity  
and Investment Operations

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## 1. Introduction

Securities & Exchange Board of India (SEBI), vide circular ref. SEBI/IMD/Cir No. 18/198647/2010 dated March 15, 2010 stipulated that mutual funds should play an active role in ensuring better corporate governance of listed Companies. In this regard, SEBI has mandated that, Asset Management Companies shall disclose their policy and procedure, for exercising the voting rights in respect of shares held on behalf of the mutual funds on their website as well as in the annual reports of the schemes. This document is drafted in pursuance of the above referred circular, clarificatory email received from SEBI on June 23, 2011 and SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/ 2021/29 dated March 05, 2021.

The purpose of this document is to disclose general policies and procedures followed by L&T Investment Management Limited (LTIML) for exercising the voting rights in respect of shares held in the schemes of L&T Mutual Fund (the Fund). LTIML understands its fiduciary duty to exercise its vote judiciously, on behalf of, and in the best interest of the unit holders of the fund. It further appreciates that voting decisions may affect the value of shareholdings.

## 2. General Voting Principles and Application

LTIML shall review all proposals, even though that may be considered to be routine matters. Since, LTIML endeavors to effectively manage its investment process and corporate governance responsibilities, in all cases each proposal will be considered based on the relevant facts and circumstances and in the best interest of the unit-holders.

### **LTIML will generally follow the below mentioned voting guidelines:**

a-. Corporate Governance matters (including changes in the state of incorporation, merger and other corporate restructuring and anti-takeover provisions): Mergers and acquisitions and corporate restructuring proposals will be subject to appropriate review on a case-by-case basis to determine whether they would be beneficial to shareholders' interest. LTIML votes against anti-takeover proposals but will consider supporting measures for time periods in special circumstances.

b. Changes to capital structure (including increases or decreases of capital and preferred stock issuances): The proposals for approval to alter the capital structure of the company, such as an increase in authorized capital will generally be supported unless the same is considered to be

unusual or excessive. LTIML does not generally favour shares with restricted or differential voting rights.

c. Stock option plans and other management compensation issues: LTIML would generally support proposals for Employee Stock option plans and other management compensation plans, but would oppose stock option plans and compensation, if it feels that approval of the plan would be against shareholder interest by virtue of being excessively dilutive or seen as giving undue advantage to the management.

d. Corporate and Social Responsibilities: LTIML believes in management discretion with regard to social and environmental issues and would generally support proposals on social issues that have demonstrable socio-economic benefits.

e. Appointment and Removal of Directors: The foundation of good corporate governance is in the selection of responsible and qualified, Independent Directors that are likely to diligently represent the interest of the shareholders and oversee management of the Company in the manner that will seek to maximize shareholder value over time. LTIML would generally support the Board's nominees in the election of Directors and generally support proposals that strengthen the independence of Board of Directors. However, each such proposal shall be evaluated on a case-by-case basis.

f. Related party transactions of the investee companies (Excluding Own Group Companies): LTIM shall evaluate the proposal of Related party transactions of the investee companies (Excluding Own Group Companies) to assess if such resolutions are beneficial to the interest of the shareholders.

For this purpose, "Related Party Transactions" shall have same meaning as assigned to them in clause (zc) of Sub-Regulation (1) of Regulation (2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

g. Any other resolution that may affect the interest of the shareholders in general and interest of the unit-holders in particular.

LTIML will generally vote in accordance with the above guidelines, but may act differently if the relevant facts and circumstances so warrant in the interests of the shareholders.

Exceptionally, LTIML may decide to abstain -

1. for resolutions other than as mentioned under clause 2 (a) to (g) mentioned above till 31<sup>st</sup> March 2022.

Further, for all resolutions which are not covered under Clause 2 (a) to (g) LTIML shall compulsorily cast their votes with effect from April 01, 2022.

2. In the event the schemes of the Fund have no economic interest in the investee company on the day of voting.

### **3. Voting procedures**

Voting in respect of proposals covered by these guidelines shall be executed by LTIML's Investment Operations team or Custodian based on voting instructions received from the Investment Management Team. The analyst team frame the analysis of each proxy proposal and in evaluating votes, the analyst team may consider information from many sources, including a company's management, shareholder groups, proxy voting advisors and various research and data resources, etc. Proposals not covered by these guidelines would be evaluated by the Investment Management team of LTIML. LTIML may utilize the services of third party professional agencies for getting in-depth analysis of proposals and recommendations on voting.

In case if the voting done by LTIML is at a variance from the recommendation provided by the service provider, approval will be obtained from either the Head of Equities or the Chief Executive Officer. LTIML retains the discretion to vote directly, wherever feasible.

### **4. Conflict of Interest**

LTIML recognizes that there may be a potential conflict of interest (may be in form of the company being a group / associate company or the company having investments in the schemes of the Fund) when it votes on an entity with which LTIML may have a significant relationship. In such cases, LTIML will ensure to vote in the interest of the unit holders and in accordance with the guidelines stated herein. All investments by the schemes are made based on strong fundamentals of a Company.

While most votes will be determined in accordance with the present policy on voting and

disclosure, there may be circumstances when analyst will refer proxy issues to the Conflict Management Committee (“the Committee”) for consideration. The Investment Team is expected to determine and address potential or actual conflicts of interest that may be presented by a particular proxy and escalate such potential or actual conflicts to the Committee. LTIM will allow the employee(s) to recuse from decision making in case of the employee(s) having any actual/potential conflict of interest in the proxy voting decisions.

The Constitution of the Committee shall be as under:

- CEO
- CIO / Head- Equity/ Fund Manager
- Compliance Officer or any next senior officer from compliance

All the matters referred to the Committee and decisions of the Committee shall be recorded and preserved.

## **5. Review and control**

This document and the actual exercise of voting will be placed before/ circulated to the members of the Investment Management Committee of LTIML on a periodic basis. Internal controls and checks are in place at various key steps in the process of exercise of votes as considered relevant/material by LTIML. On an annual basis, the voting process shall be subject to audit as per requirements under SEBI Regulations.

## **6. Disclosure requirements**

In accordance with SEBI circular IMD/Cir No. 18/198647/2010 dated March 15, 2010 and CIR/IMD/DF/05/2014 dated March 24, 2014, LTIML shall disclose the following:

1. Voting policy and procedures will be made available on the website of the Fund as well as in the annual report of the schemes.
2. LTIML shall disclose on its website as per the periodicity mandated by SEBI and in the annual report of the schemes of the Fund distributed to the unit-holders, actual exercise of its voting in general meetings of listed Companies in the format as prescribed in the SEBI circulars from time to time.

Further on an annual basis, LTIML shall obtain Scrutinizer's" certification on the voting reports being disclosed by LTIML for the Schemes of the Fund. Such Scrutinizer's certification shall be submitted to trustees and also disclosed in the relevant portion of the Mutual Funds' annual report and website.

The Board of LTIML and LTMFTL shall review and ensure that LTIML has voted considering the interest of investors and the decisions have not been influenced by any factor other than the best interest of the unit holders and the rationale recorded for vote decision is prudent and adequate. The confirmation to the same, along with any adverse comments made by Scrutinizers, shall be reported to SEBI in the half yearly trustee reports.

## **7. Legal Liability**

- i) The principles and positions reflected in the Policy are designed to guide the AMC in voting, and not necessarily in making investment decisions.
- ii) LTIML shall not be under any liability on account of anything done or suffered by it in good faith under this Policy.

## **8. Proxy advisor's Voting Recommendation Policy & procedure**

In line with SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/147 dated August 03, 2020 and SEBI circular no. SEBI/HO/IMD/DF1/CIR/P/2020/157 dated August 27, 2020, Proxy Advisor should formulate Voting Recommendation Policy disclosing the methodologies and processes followed in the development of their research and corresponding recommendations to its clients. The Proxy Advisor shall submit Voting Recommendation Policy & procedure to be reviewed once annually. The Proxy advisor shall also submit the updated Voting Recommendation Policy to LTIML.

## **9. Review of policy**

The policy shall be annually reviewed. The Policy may only be amended with prior approval of the Board of Directors of the AMC and Trustee Company.

"If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by Securities & Exchange Board of India (SEBI) issued or to be issued, then interpretation of such Regulations,

Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by SEBI shall prevail.

This policy will be effective from October 18, 2022, the date of approval of Board of AMC and Trustees and would over-ride the earlier policy.