



# Voting Policy

**Version 5 – April 2022**

# **EXERCISE OF VOTING RIGHTS BY THE INVESTMENT MANAGER IN INVESTEE COMPANIES**

## **I. Introduction**

ICICI Prudential Asset Management Company Ltd. ("the AMC" or "the Investment Manager") acts as the Investment Manager to the schemes of ICICI Prudential Mutual Fund ("the Fund"). Some of the schemes of the Fund have invested or will be investing in securities of companies or units of Infrastructure Investment Trusts (InvITs) ("investee companies") carrying voting rights. These securities carry (or will carry) voting rights that can be exercised at meetings of shareholders or in case of debt instrument on matters which affect debt instrument holders' interests or court convened meetings or through postal ballots. The AMC, as the Investment Manager, is authorized to exercise (i.e. vote for or against), or to abstain from exercising, the proposed resolution as a representative of the rights on behalf of the unitholders of the investor schemes.

This note sets out the general policy to be followed by the AMC in deciding on whether and how to exercise the voting rights vested in it as the Investment Manager. The policy takes into account and will be consistent with the relevant regulatory guidelines issued by the Securities and Exchange Board of India (SEBI)<sup>1</sup>.

## **II. Guiding principle**

The basic principle that should guide the policy on dealing with voting rights in investee companies is that the exercise of voting rights (i.e. vote for or against) or abstention from such exercise should be in the perceived best interests of the unitholders of the investor schemes. In the event of any conflicts of interest between those of the Investment Manager and the unitholders, the latter shall prevail.

## **III. Proposals coming up for voting**

Matters that generally come up for voting by shareholders of investee companies and holders of debt instruments (either at shareholder meetings or at court convened meetings or through postal ballots) include but are not limited to the following:

- change in the fundamental objectives of the company and in its character or name;
- change in the capital structure, including increase and decrease of capital, and issue of shares and convertible securities;
- Changes in debt security structure or special rights currently available with the Fund including priority of repayment
- appointment, remuneration, retirement and removal of directors, remuneration of the chief executive officer and other executive directors, and the issue of stock options to directors and executives;
- other corporate governance issues;
- appointment and remuneration of statutory auditors;
- any scheme of arrangement, merger and other corporate restructuring and antitakeover proposals;
- social and corporate responsibility issues; and
- any other matters that may affect the interests of the shareholders/holders of debt instruments.

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<sup>1</sup>SEBI circular no. SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010 and subsequent amendments/modifications to the said circular and the clarifications issued by SEBI vide emails dated May 9, 2011 and June 23, 2011.

#### **IV. Mechanism of Voting**

With availability of voting through electronic means, the Investment Manager cast its votes on the voting platforms offered by NSDL / CDSL and other service providers. Where e-voting is not mandated or in case of e-voting is not possible, Investment Manager would endeavor to vote in person, by itself or through external proxy service providers. (Currently, external proxy service provider is Altruist Customer Management India Private Limited).

#### **V. General guidelines for exercise of voting rights**

The Investment Manager's decision either to vote, or to abstain from voting, or vote against on proposals before the shareholders of investee companies shall be made taking into account the possible implications of the voting or abstention on the interests of the unitholders represented by the Investment Manager. The Investment Manager shall ensure that the voting or abstention would help protect, preserve, or enhance the unitholders' value in the investee company, or would not prejudice their interests.

***The general guidelines for exercising of votes that will be followed by the Investment Manager on certain matters is listed herein below:***

##### **a. Changes to the Memorandum and Articles of Association**

The reasons for the proposed change (especially of the objects clause) and its likely impact on the investee company's character, business operations and financial condition shall be taken into consideration while determining the voting decision.

##### **b. Changes to the capital structure**

Proposals to increase the capital, whether through a rights issue or other means, should be examined to see why it is needed, and if it would have a significant impact on the existing shareholders' rights and their existing or potential value. It should also be examined how the additional capital infusion would be leveraged.

##### **c. Board of Directors**

The board of directors of a company shoulders the primary responsibility for managing it in such a manner as would protect or enhance shareholder value while also ensuring that the company complies with statutory and regulatory requirements and adopts good corporate governance practices. The board should, therefore, comprise individuals who can be expected to help the board perform its role satisfactorily.

While considering a proposal for appointment or reappointment of a director of an investee company, the Investment Manager shall take into account such factors as the person's qualifications and relevant experience, any instances of his misconduct as would reflect on his ability to function effectively as a director, any history of legal proceedings against him, and (in the case of an independent director) the degree of independence that he could be expected to bring to his tasks. Further, while considering the proposal with respect to appointment of a nominee director on the board of the investee company, without prejudice to the duties and obligations of a director under the provisions of the Companies Act, 2013 (as amended from time to time), the AMC shall additionally take into consideration the level of active performance in the board meetings and feedback on matters of importance to the AMC. The Investment Manager shall normally not vote against such proposals unless there are

strong factors in the knowledge of the Investment Manager that militate against the appointment or reappointment.

#### **d. Compensation**

While considering proposals for remuneration (including any stock options) of directors and the chief executive and senior executives, the Investment Manager will consider such factors as the company's business volume, income, and profits, statutory or regulatory limits, and comparable industry practices. It is clearly in the interests of shareholders that an investee company should have the ability to attract and retain personnel of high quality. Employee remuneration levels should reflect market-based judgment taking into account the nature, size and complexity of the business of individual companies and industry practices.

The Investment Manager would normally support proposals for remuneration of the chief or senior executives linked to the company's long-term performance, as reflected in enhanced shareholder value. Employee stock-option and stock incentive plans that result in excessive dilution of shareholder value, or are considered to be excessively generous, shall not be supported. Further, any record of unsatisfactory performance or misconduct by personnel who will significantly benefit from approval of such proposals shall be kept in view.

#### **e. Appointment of statutory auditors**

While considering proposals for the appointment/reappointment of statutory auditors, the Investment Manager shall give due consideration to factors such as the auditor's performance vis-à-vis the company, its overall experience and track record, and any known instances of professional misconduct, the costs with reference to levels of business etc.

#### **f. Corporate social responsibility**

The Investment Manager shall normally support, or will not vote against, proposals that would enable the company to contribute to social development, community welfare, and environmental protection, or those that are reasonably expected to bring in significant socioeconomic benefits. For this purpose, the Investment Manager shall consider reasonableness of the amount proposed to be spent.

#### **g. Mergers and corporate restructuring**

The Investment Manager shall analyze a proposal for merger, or other corporate restructuring, to assess its short- and long-term financial and strategic implications for the company and its shareholders, and support those that are considered to be in the interests of the unitholders and vote against those that are considered to be prejudicial to their interests.

Further, in terms of the SEBI Circular dated March 5, 2021, the Investment Manager shall cast votes compulsorily in respect of the following resolutions:

- Corporate governance matters, including changes in the state of incorporation. merger and other corporate restructuring, and anti-takeover provisions.
- Changes to capital structure, including increases and decreases of capital and preferred stock issuances.
- Stock option plans and other management compensation issues.
- Social and corporate responsibility issues.
- Appointment and Removal of Directors.
- Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.
- Related party transactions of the investee companies (excluding own group

companies). 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.

Further, effective April 1, 2022, the AMC shall compulsorily cast votes for any other resolutions which are not covered above.

In case the schemes of the Fund do not have economic interest in the investee company on the day of voting, the AMC shall not cast votes on proposals of that investee company.

## **VI. The Committee under Stewardship Code**

The Committee, referred in the Stewardship Code of the AMC, shall have oversight on the voting exercise carried out by the Funds and shall also look into various matters escalated to the Committee for its review and guidance with respect to the voting.

## **VII. Use of Services of Voting Advisors**

The Investment Manager may at its discretion avail the services of the Proxy advisor(s) to aid in arriving at decision for voting. The Committee referred in the Stewardship Code is authorized to approve engagement of an external agency for proxy voting or other voting advisory services, scope of services, whenever the Investment Manager proposed to avail such services. The Investment Manager shall not be bound with the Proxy advisors' recommendations and they are permitted to use their discretion whether to rely and/or act on the suggestions/recommendations given by such Proxy advisor(s).

## **VIII. Conflicts of interest**

Situations involving current or potential conflicts of interest may only arise when a proposal is from an investee company within the ICICI/Prudential group. In all such situations, decisions shall be taken in the interest of the unitholders of the investor scheme.

## **IX. Procedure for policy implementation**

The general procedure to be adopted by the Investment Manager for considering, and deciding on, proposals from investee companies is noted below:

- a) The Investment Manager shall arrange for the Custodian or such other agency appointed for the purpose, to notify the Investment Manager, in advance, of forthcoming shareholder meetings and postal ballots or court convened meetings to be held by investee companies and the proposals coming up for voting at the meetings or for ballot.
- b) On being so notified, the proposals will be reviewed by the Investment Manager in terms of the guidelines contained in this policy.
- c) The votes shall be cast at Mutual Fund level. A decision to vote for or against, or to abstain from voting, shall be taken on each proposal. With respect to equity and equity related investments, including Infrastructure Investment Trusts (InvITs), the final decision on each proposal shall be taken by either Head of Research or Chief Investment Officer (CIO) or Deputy CIO (including Fund Managers) or Managing Director and/or any such person, as authorized by the Managing Director/CIO.

With respect to fixed income investments, the final decision on each proposal shall be

taken by either Chief Investment Officer (CIO) - Fixed Income or any Fixed Income Fund Managers or Managing Director and/or any such person, as authorized by the Managing Director/CIO - Fixed Income.

In case Fund Manager/(s) of any specific scheme has strong view against the views of Fund Manager/(s) of the other schemes, the voting at scheme level shall be allowed subject to recording of detailed rationale for the same.

The Investment Manager may also seek the analysis and recommendations of a research firm or other competent agency or individual to aid such decisions.

- d) Where, however, a proposal with respect to equity and equity related investments involves conflicts of interest or where the Head of Research intends to vote against a proposal, the proposal shall be referred to, and a decision thereon shall be taken by the committee chaired by the Managing Director or along with other members appointed by him.

Further, where, a proposal with respect to fixed income investments involves conflicts of interest or where the CIO - Fixed Income intends to vote against a proposal, the proposal shall be referred to, and a decision thereon shall be taken by the committee chaired by the Managing Director or along with other members appointed by him.

This would ensure that the Investment Manager's decision on the proposal would be in the best interests of the unitholders of the investor scheme concerned. Further, there shall be a written disclosure of the conflicts of interest in the process leading to the final decision.

- e) Further, the decisions taken on each proposal along with the facts of the proposal and justification shall be recorded and documented.
- f) Where so decided, the voting right shall be exercised, in accordance with the decision taken on the proposal, by a representative of the Investment Manager so authorized. The Investment Manager could avail of the services of an agency for representing the Fund/ the Schemes, in the meetings of the Investee companies.
- g) The AMC shall obtain certification from "scrutinizer" in terms of Rule 20 (3) (ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof on the voting reports disclosed. Such certification shall be submitted to the Board of Directors of the Trustee Company and also disclosed in the annual report and on the AMC's website.
- h) The Head- Research of the AMC shall submit a declaration on quarterly basis to the Board of Directors of the Trustee Company that the votes casted by the Investment Manager has not been influenced by any factor other than the best interest of the unit holders. Further, the Board of Directors of the Trustee Company shall confirm the same in the Half Yearly Trustee Report to be submitted to SEBI.
- i) 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 interests of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation on the above, along with any adverse comments made by the Scrutinizer, shall be reported to SEBI in half-yearly Trustee reports.

- j) A periodical report containing a summary of the voting decisions exercised (i.e. voted for or against) and abstained along with the rationale, as the case may be, will be submitted to the Board of Directors of the Trustee Company and the AMC.

With respect to investments in companies who hold investments in Schemes of the Fund, the Investment Manager will follow the same principles as detailed in this policy document and shall act in the interest of unit holders.

## **X. Disclosures**

This policy shall be put on the Investment Manager's website [www.icicipruamc.com](http://www.icicipruamc.com).

The following periodical disclosures shall be made available on the aforesaid website and/or in the abridged annual report for the year distributed to the unitholders:

- a) Voting exercised (voted for or against) and abstained along with the rationale on a quarterly basis within 10 (ten) working days from the end of the quarter in the format prescribed by SEBI, as amended from time to time. Additionally, a summary of the voting exercised across all the investee companies and its break-up in terms of total number of votes cast in favour, against or abstained from shall also be updated.
- b) Voting exercised (voted for or against) and abstained along with the rationale on an annual basis in the format prescribed by SEBI, as amended from time to time.
- c) Certification from the Scrutinizer on the AMC's voting reports.

## **XI. Review/Amendments to the policy**

This policy shall be reviewed once in two years, or as and when needed. This Policy may only be amended with the prior approval of the Board of Directors of the Trustee Company.