

Pension Funds

Aditya Birla Sun Life Pension Management Ltd.



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

ADITYA BIRLA SUN LIFE PENSION MANAGEMENT LIMITED POLICY AND PROCESS FOR EXERCISING VOTING RIGHTS

Version 1.2

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Document Version Control

Version	Owner of the Document	Date of Approval by IC	Date of Approval by Board	Revised Policy Effective from	Nature of Change
1.0	Investment Mid-Office	27/07/2016	27/07/2016	27/07/2016	New Policy
1.1	Investment Mid-Office	23/04/2019	23/04/2019	23/04/2019	Updated with appointment of Proxy Advisory Firm and formatting changes
1.2	Investment Mid-Office	25/07/2022	25/07/2022	25/07/2022	Made changes in voting operating process which is more suitable to the organizational structure.

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Policy and Process for Exercising Voting Rights

1.0 PURPOSE

The purpose of this Policy is to establish the principles and guidelines that will govern all kind of Voting decision to be made by the Company on behalf of NPS Trust, whether at general meetings, postal ballot or through electronic voting.

2.0 SCOPE

This note covers the policy framework and the various processes that need to be followed for exercising Voting rights.

3.0 POLICY STATEMENT

3.1 Regulation – Company Act 2013

Every Share Holder* of the company is entitled to attend and vote at a meeting by show of hand or can demand for Poll or voting is carried out electronically.

**The entitlement will differ for holding in DVR Shares*

Proxies

Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting:

(2) The instrument appointing a proxy shall-

- (a) be in writing; and
- (b) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.

3.2. General Voting Guidelines

ABSLPML must follow the guidelines as mentioned by PFRDA before deciding on casting a proxy vote on the below mentioned proposals.

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Sr No	Item Description	General Recommendations
1	<u>Acceptance of financial statements and statutory reports</u>	<p>Generally vote for approval of financial statements and statutory reports, unless:</p> <ul style="list-style-type: none"> • There are concerns about the accounts presented or audit procedures used; or • There has been an accounting fraud or material mis-statement during the year <p>The overall quality of disclosure must be considered, and the weakest examples, such as where the meeting documents are not released in time for investors to review these ahead of the meeting, are likely to attract a negative vote recommendation.</p>
2	<u>Amendments to the Articles of Association</u>	<p>Generally vote on case-by-case on amendments to the Articles of Association. Requests to amend a company's articles of association are usually motivated by changes in the company's legal and regulatory environment, although evolution of general business practice can also prompt amendments. When reviewing proposals to revise the existing articles or to adopt a new set of articles, an analysis of the changes proposed according to what is in the best interest of shareholders in general. Changes to the company's Articles should not be 'bundled' into a single resolution when they cover non-routine matters.</p>
3	<u>Approve Final Dividend</u>	<p>Generally vote for proposals to approve the final dividend, unless;</p> <ul style="list-style-type: none"> • The payout is excessive given the company's financial position. <p>The annual report includes a review of the company's performance during the year</p>

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		and should contain a justification for the dividend level. Unless there are major concerns about the payout ratio, it is usually recommended for approval of this item.
	<p><u>Appointment of External Auditors</u></p> <p>The external auditors play an important role in verifying the integrity of an Issuer's financial reporting to ensure that information ultimately provided to shareholders is free from material misstatements and presented fairly in all material respects. As such, we place great importance on the quality and independence of the external auditors</p>	<p>We will generally support the appointment of the auditors recommended by an audit committee of the Board comprised solely of independent financially literate directors. Hence, generally vote for proposals to ratify the appointment of external auditors, unless;</p> <ul style="list-style-type: none"> • There are serious concerns about the procedures used by the auditor; or • The auditors are being changed without explanation; <p>It is best practice that the resolutions to appoint the external auditors and to fix their remuneration as two separate items. If the company proposes a new auditor, or an auditor resigns and does not seek re-election, the company should offer an explanation to shareholders. If no explanation is provided, it is recommended to vote against the election of the new auditor.</p>
5	<p><u>Authorize Board to fix Remuneration of Auditors</u></p>	<p>Generally vote for proposals authorizing the board to fix the fees payable to the external auditors, unless:</p> <ul style="list-style-type: none"> • Fees for non-audit related services routinely exceed standard audit-related fees <p>Companies are encouraged to make a full public disclosure of the amount and nature of any payments for non-audit services, to enable investors to appropriately assess these when considering the ratio of audit to non-audit services. Where payments to the auditor for non-audit services appear under the category of "Other Fees" in the annual</p>

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		report, we should expect that the company will disclose the nature of these services.
6	<u>Investments in Group Companies</u>	<p>Generally vote for proposals while ensuring that:</p> <ul style="list-style-type: none"> • investments in such companies are line with the Scheme specified Investment Objective/ Asset allocation and the Investment Policy in place; • such transactions are for pure commercial consideration after having evaluated the same on merits; • such transactions are at arms' length with no consideration of any existing / consequent investments by an investor / group of investors
	<u>Director elections</u>	<p>Generally vote for the election or re-election of Director, unless:</p> <ul style="list-style-type: none"> • Adequate disclosure has not been provided in a timely manner; • The Board fails to meet minimum Corporate Governance standards – basis of any external reports; • There are specific concerns about the individual such as their ability to commit sufficient time to the role;
	<p>Board independence Directors are either an executive director or as a nonexecutive director. Nonexecutive directors may be considered either independent or non-independent; an executive director is always considered to be non independent. The Chairman may be either a non-executive or an executive, although the designation of an executive chairman could be interpreted negatively by investors as evidence of one individual combining leading the board with bearing some executive responsibility for the company's operations. The</p>	<p>Support an independent board of competent individuals. The following are some of the indicative actions in this regard:</p> <p>Vote for increasing the independence of committees that are responsible for nominating members of the board, supervising outside auditors, and setting the terms of compensation for executive management</p> <ul style="list-style-type: none"> • Vote for creating a nominating committee. • Vote for creating a compensation committee. • Vote for creating an audit committee. and

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	<p>independence of the nonexecutive directors shall be assessed on an ongoing basis, while the independence of the chairman shall be on appointment.</p>	<ul style="list-style-type: none"> • Vote against requiring a minimum stock ownership for Directors, unless required by law. • Vote against giving the board the authority to set its size freely without shareholder approval. • Vote against mandatory retirement. • Vote against fixed tenure policies. • Vote against proposals that directors can only be removed for legal cause.
	<p><u>Remuneration / Compensation Policy</u></p> <p>Management and director compensation is a critical aspect of an Issuer's governance. The compensation policies of a company and amounts payable to the senior executives and directors should be disclosed in the proxy circular so that the shareholders can assess whether the interests of senior executives and directors are aligned with their own. The disclosure of the shareholdings of senior executives and Directors is also important information for shareholders as well as the disclosure of the use of compensation consultants by the issuer, the Board or a Board Committee, including the fees paid to such consultants.</p>	<p>We as investors expect that a company will work within its remuneration policy, and only seek approval to go outside the policy in genuinely exceptional circumstances. Seeking approval for awards outside the policy is to be viewed skeptically. Hence, remuneration should be directly linked to the long term performance of the company</p> <p>Generally vote for the resolution if it meets the long term interests of the shareholders as provided above and generally vote against stock option and stock incentive plans that result in excessive dilution including excessive Golden parachute plans (golden parachutes are severance compensation arrangements, to be paid to an executive whose employment is terminated in the event of a merger or acquisition that results in a change in control over the company).</p> <p>Director Compensation</p> <p>Remuneration and fees for non-executive Directors (the annual retainer and per diems for attending each Board and Committee meeting) should be at a level that makes serving as a Director financially worthwhile for qualified individuals but not so high that Directors become beholden to the Issuer and compromise their independence. We will support director fee levels that reflect the</p>

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		expertise, responsibilities and time commitment expected.				
	<p><u>Shareholder Proposals</u></p> <p>Companies should allow shareholders to participate in decisions concerning fundamental corporate changes and adopt governance structures and procedures that give shareholders the ability to hold the Board and indirectly management to account. We encourage companies to treat shareholders equally and to facilitate shareholders' right to vote, free of impediments.</p>	<p>Generally vote for the adoption of confidential voting and the independent tabulation of proxy ballots</p> <ul style="list-style-type: none"> • Generally vote for the facilitation of shareholder voting, including the provision of electronic voting • Generally vote for asking the Board to adopt confidential voting and independent tabulation of the proxy ballots. • Generally vote against elimination or restriction of shareholders' right to call special meetings • Generally vote against eliminating or limiting the shareholders' right to act by written consent. • Generally vote against limitation on the right of shareholders to remove directors to cases where there is legal cause • Generally vote against the issuance of preferred stock with superior voting rights 				
	<p><u>Anti-Takeover Provisions and Merger and corporate restructuring - Mergers and Acquisitions</u></p> <p>Proposed mergers, acquisitions and corporate restructurings have important impacts on shareholder value. Such transactions as well as any takeover protection measures should be structured to maximize shareholder value without compromising the rights of shareholders.</p>	<p>Generally vote mergers and acquisitions on a case-by-case basis, taking into account of the factors of valuation, market reaction, strategic rationale, conflict of interest and governance.</p> <table border="1"> <thead> <tr> <th>Factor</th> <th>Approach</th> </tr> </thead> <tbody> <tr> <td>Valuation</td> <td>Is the value to be received by the target shareholders, or paid by the acquirer, reasonable? While the fairness opinion, where one is provided, may provide an initial starting point for assessing the appropriateness of</td> </tr> </tbody> </table>	Factor	Approach	Valuation	Is the value to be received by the target shareholders, or paid by the acquirer, reasonable? While the fairness opinion, where one is provided, may provide an initial starting point for assessing the appropriateness of
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			the valuation, one shall place particular emphasis on the offer premium, market reaction and strategic rationale in the analysis
		Market Reaction	How has the market responded to the proposed deal? A negative market reaction will be viewed with caution.
		Strategic rationale	Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favourable track record of successful integration of historical acquisitions.
		Conflict of Interest	Are insiders benefiting from the transaction disproportionately and inappropriately as compared to outside shareholders? One shall consider whether any special interests may have influenced these directors to support

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			or recommend the merger
		Governance	Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues, such as valuation, outweigh any deterioration in governance
		Generally vote against proposals that have the effect of entrenching existing management	
12	<u>Social Issue Proposals</u>	Vote on all environmental, social and governance proposals on a case-by-case basis, taking into consideration whether implementation of the proposal is likely to enhance or protect shareholder value, and whether <ul style="list-style-type: none"> • The issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; • The company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal; 	

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		<ul style="list-style-type: none"> • The proposal's request is unduly burdensome, in terms of scope, timeframe or cost, or overly prescriptive, and how it compares with any industry standard practices for addressing the issue(s) raised by the proposal; • Generally vote for proposals requesting reports on sustainability, environmental impact or plans, human rights policies, and global labor practices, provided such proposals do not call for specific actions that might limit management's freedom of action.
13	<p><u>Changes to Capital Structure</u></p> <p>Companies should have an efficient capital structure that will minimize long-term cost of capital. All changes to the capital structure of a company should be fair and done with a view of supporting growth, increasing shareholder value or for other required reasons.</p>	<p>Generally vote for the need for change in capital structure if there is;</p> <ul style="list-style-type: none"> • Reasonable need for change in capital structure and which is demonstrated in the written literature by the company; • There is material impact on companies business by the proposed modification.
	<p>Authorize Issue of Equity with and without Preemptive Rights</p>	<p>Generally vote for a resolution to authorize the issuance of equity if it has demonstrated that the amount requested is necessary for sound business reasons.</p>
	<p>Authorise Market Purchase of Ordinary Shares</p>	<p>Generally vote for the resolution to authorise the market purchase of ordinary shares, unless; The authority requested exceeds the levels permitted under the Listing Rules; or The company seeks an authority covering a period longer than 12 months.</p>

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	Conflict of Interest and Related-Party Transactions	<p>In evaluating resolutions that seek shareholder approval on related-party transactions, vote on case-by-case basis, considering factors including but not limited to the following:</p> <ul style="list-style-type: none"> • The parties on either side of the transaction; • The nature of the asset to be transferred/service to be provided; • The pricing of the transaction (and any associated professional valuation); • The views of independent directors, where provided; • The views of an independent financial adviser, where appointed; • Whether any entities party to the transaction, including advisers, are conflicted; and • The stated rationale for the transaction, including discussions of timing.
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3.3 Proxy Voting Committee

The responsibility of casting Proxy votes shall be through Proxy Voting Committee comprising of Senior Officials headed by the Chief Investment Officer (CIO) including any committee or subcommittee already functional at the Pension Fund and looking after the investment decision. The committee shall have the final authority to decide upon exercise of votes basing on the voting policy being proposed now.

3.4 Proxy Advisory Firm

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Proxy Advisory Firm are appointed by the NPS Trust for all the Pension Fund Manager (PFM) for providing their advisory services for voting on all the resolutions and would provide common platform for recording, managing and communicating the voting decision of individual PFM and arriving at consensus voting for NPS Trust. Stakeholder Empowerment Services (SES) and Institutional Investor Advisory Service (IIAS) are the appointed proxy advisory firm, while Stakeholder Empowerment Services (SES) would provide the common platform for managing, communicating the voting decision and arriving at consensus vote among PFM.

3.5 Operating Process

All Voting actions need to be recorded and documented. Investment Front Office (Equity/Debt Research Analyst) will provide relevant documents and rationale along with the recommendation to Vote 'For', Vote 'Against' or to 'Abstain' from the voting. The document should be duly Approved by CIO / Fund Manager and provided to the Investment Risk Management Team in time before the date of Voting for proxy voting/ self voting. The document should also mention if we wish to send a Proxy or ABSLPML representative. Instances where ABSLPML wish to 'Vote For / Vote Against' individual recommendation note will be prepared by the Fund Manager, while those instances where ABSLPML wishes to 'Abstain' from voting will be informed on ongoing basis to Investment Risk Management team.

Investment Risk Management will evaluate the recommendation based on the available information and seek approval for 'Vote For / Vote Against' cases as per the approval matrix.

Investment Risk Management Team will issue instruction to the nominated representative of ABSLPML or sent the instructions to Custody in case of Proxy Voting within one working day of receipt of approval.

Approval Matrix

To 'Abstain' or 'Against'	-	Group A
To Vote 'For'	-	Group B

Groups

Group A	-	Chief Executive Officer and Chief Investment Officer
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Group B - Chief Investment Officer /Fund Manager

Investment Risk to review and evaluate the votes after approval and monitor compliance of the voting policy

All voting rights exercised during the quarter will be presented and noted in the subsequent Investment Committee Meeting.

4.0 OWNERSHIP

This policy is owned by the Investments Risk Management team.

5.0 RESPONSIBILITIES

The Investments Risk Management will agree to monitor that the Policy is followed in true spirit and maintain all the documents for Internal and Audit purpose.

Investment Front Office will agree to timely provision of recommendation and supporting documents to the Investment Risk Management Team.

6.0 EFFECTIVE DATE

The Policy Effective date will be from the date of its approval in the Investment Committee Meeting.

7.0 POLICY REVIEW

The Voting Policy will be reviewed at least once in every two years.

8.0 APPROVALS

Investment Committee will be authorized to approve any change in the Voting Policy.

9.0 RETENTION OF RECORDS

All relevant records i.e. proxy form, proxy solicitation materials, Approval notes etc. are to be retained for a period of at least 5 years.

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Appendix

I. Format for Recommendation

Aditya Birla Sun Life Pension Management Ltd – Recommendation for Voting

Date : - _____

Name of Company : _____

Details of Corporate Action :

Recommendation - Vote For / Vote Against

Voting By - ABSLPML Representative / Proxy Voting
(Tick One)

Rationale

(If required can be attached separately)

Recommended by - _____

(Name & Designation)

Signature - _____

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Date - _____

Reviewed by - _____
(Name & Designation)

Signature - _____

Date - _____

Remarks

Mid Office Review

Reviewed by - _____
(Name & Designation)

Signature - _____

Date - _____

Remarks / Rationale

(Required in case recommendation differs from IFO)

Approved By

Approved by (Approvers to be selected as per approval Matrix)

Mr..... Date: _____

Mr..... Date: _____

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II. Letter Authorizing ABSLPML Representative

(On Company Letter Head)

To

Name : _____

Designation : _____

Aditya Birla Sun Life Pension Management on its behalf hereby authorizes you to attend and vote in the AGM/EGM of _____

For Aditya Birla Sun Life Pension Management Limited

Name & Designation

Name & Designation

III. Format for 'Abstain' from Voting

Aditya Birla Sun Life Pension Management Limited							
<u>Report of Corporate Action where ABSLPML Abstained from Voting</u>							
For the period - dd-mmm-yyyy to dd-mmm-yyyy							
S.No.	ISIN	Scrip Name	Event Date	Type Of Meeting	Event Place	Number Of Shares Held	Rationale
1	INExxxxxxxxx	ABC Co. Ltd.	dd-mmm-yyyy				
2	INExxxxxxxxx	XYZ Co. Ltd	dd-mmm-yyyy				
3	INExxxxxxxxx	AAA Co. Ltd	dd-mmm-yyyy				
4	INExxxxxxxxx	BBB Co. Ltd	dd-mmm-yyyy				
5	INExxxxxxxxx	CCC Co. Ltd	dd-mmm-yyyy				
6	INExxxxxxxxx	DDD Co.Ltd	dd-mmm-yyyy				

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IV. Reporting

All Reporting on Proxy voting undertaken by Aditya Birla Sun life Pension Management Company Ltd has to be done as per the format provided by the authority.

A. Format for quarterly reporting on Proxy voting undertaken by the Pension fund (PF)

Details of Votes cast during the quarter ended on _____ of the Financial Year ____							
Meeting Date	Company Name	Type of Meetings (AGM / EGM)	Proposal by Management or Shareholder	Proposal's description	Investee Company's management recommendation	Vote(For/Against/ Abstain)	Reason supporting the vote decision

B. Format for Annual reporting on Proxy voting undertaken by the Pension fund (PF)

Details of Votes cast during the Financial year							
Meeting Date	Company Name	Type of meetings (AGM/ EGM)	Proposal by Management or Shareholder	Proposal's description	Investee company's Management Recommendation	Vote (For/Against/Abstain)	Reason supporting the vote decision

C. Format for Annual reporting on Summary of Proxy voting undertaken by the Pension Fund (PF)/NPS Trust

Summary of Proxy votes cast by Pension fund across all the investee companies					
Financial Year	Quarter	Total number of Resolution	Break up of Vote decision		
			For	Against	Abstained