

**Kotak Investment Advisors Ltd.**



**Voting Policy for Funds**

**July 2020**

Version	Date	Amendment Comments
1.0	1st July 2020	Initial Document - Approved by KIAL at its board meeting held on 24 <sup>th</sup> June 2020

## **A. Background**

Kotak Investment Advisors Limited ("**KIAL**" or "**Company**") acts as an investment manager for funds set up in the alternate assets domain in India, which include private equity funds, venture capital funds, funds focused on investments in real estate and infrastructure companies, funds for private investments in public entities and funds focused on investment in stressed and distressed assets (hereinafter individually referred to as the "**Fund**" and collectively referred to as the "**Funds**"). These Funds, in accordance with their respective investment objectives, make investments in the securities of various portfolio companies. Since the Funds are established and registered as "Trusts" under the Indian Trusts Act, 1908, the trustee of the Fund, vide the powers set out in the trust deeds, appoints KIAL as the investment manager for the Funds and delegates its powers under the Indenture of Trust to KIAL, which includes the power to vote on the matters pertaining to portfolio investments.

For effective representation of the interests of the Funds, KIAL appoints authorized personnel to exercise voting rights attached to the securities of these portfolio companies at the general meetings, class meetings, debenture holders meeting or through postal ballot or electronically, as the case may be. KIAL consists of the following verticals (individually referred to as "**Vertical**" and severally referred to as "**Verticals**") which is headed by its respective chief executive officers ("CEOs"):

- a) Private Equity and Venture Capital
- b) Real estate investments
- c) Infrastructure investments
- d) Listed strategies (Private Investments in Public Companies)
- e) Special Situations
- f) Investment Advisory

KIAL has adopted this policy for governing the power of the Funds managed by it to vote in the matters concerning its portfolio companies in capacity of a shareholder or a debenture holder ("**Voting Policy**"). It is hereby clarified that this Voting Policy shall not supersede or impede upon the inherent powers of the trustee and / or the investment committee as enshrined in the constitution or fund documents of the respective Fund.

## **B. Philosophy of the Voting Policy**

As an investment manager with a delegated fiduciary responsibility towards investors of its Funds, KIAL believes that it should exercise its right to vote always in the best interests of investors of the Funds managed by it.

Generally, the Funds make investments in portfolio companies as financial investors and day to day affairs / operations of the portfolio companies remain entrusted with the portfolio company's promoters, board of directors and/or management team, unless the fund has taken control of the management of the company by way of holding majority equity. The Funds may have veto rights on certain reserved matters as specified in the investment agreements and/or articles of association of the portfolio companies.

Kindly note that this Voting Policy attempts to:

- promote accountability of portfolio company's promoters, management and board of directors to its shareholders / debenture holders;
- align the interests of portfolio company's management with those of shareholders / debenture holders; and
- encourage portfolio companies to adopt best practices in terms of their corporate governance.

### **C. Decision making process**

- a) When the Funds make an investment in portfolio companies, KIAL being the investment manager executes investment agreement with the concerned portfolio companies on behalf the Fund. The terms of investment and the rights of the Fund are agreed in such investment agreements .The rights of the Funds are also typically restated in the charter documents of the portfolio companies. These rights inter-alia include veto rights, exit rights, information rights and right to appointment nominee directors/observers. For investment into listed equity shares, no such agreement is entered with portfolio companies.
- b) The Voting decisions shall be taken in the manner set out in Annexure 1. The legal and compliance team of KIAL, if required, shall ensure that the decisions taken are compliance with the constitution, documents, agreements, side letters executed by the Fund with its investors ("**Fund Documents**"), SEBI (Alternative Investment Funds) Regulations, 2012 and other applicable laws.
- c) The communication of the decision taken by KIAL as per sub-clause (b), (c) above, which could include vote for/against/ abstinence from voting, shall be made through either the nominee director of the Fund, if any, appointed on the board of directors of the portfolio investment or through any other mode as may be suggested by the management of portfolio companies in compliance with applicable law.
- d) The representation and voting by the authorized personnel in the meetings conducted by the portfolio companies could be through physical presence at the meeting, representation through proxy or through audio visual or other electronic mode offered by such portfolio company subject to applicable law.
- e) The CEO (based on the inputs of legal and compliance team of KIAL) of the concerned Vertical will decide when to use proxy votes and the manner in which votes through proxies are cast

### **D. Principles to be considered for voting**

- a. Voting is completely discretionary, and therefore would include decision to "abstain from voting", or to "vote for", or "to vote against", or divide votes between "for" and "against"
- b. The voting decision shall be arrived at by considering all available information including: contents of notice/explanatory statements, interpretation and application of the proposed items, impact of exercising or not exercising the vote, possible outcome of the vote, impact on the investment made by the concerned Fund, *etc.* All the items proposed for vote should be addressed on a case-to-case basis considering the interests of the investors of the respective Fund. Other factors such as location of the general/class /debenture holders meeting, percentage of voting right, cost of voting (cost of travel and executive time), routine nature of the items on vote, etc may also be taken into consideration to arrive at the voting decision.
- c. On routine / day to day items on notice, vote may be cast alongside the promoters / management of the portfolio companies. However, in case the interest of the Fund in the portfolio company is prejudiced, then the vote may be cast against such item.
- d. Decision may be taken to abstain from voting in certain circumstances cases such as follows (a) where insufficient information is available on the item proposed for vote; or (b) where a potential conflict of interest may be involved or where KIAL does not have a clear position on the item proposed for vote or where item proposed for vote is routine / administrative in

nature or where decision of nominee directors / Fund has been separately communicated in writing to the portfolio company.

- e. For investments in Kotak group companies: Typically, the Funds do not invest in securities of Kotak group companies. In the event the Funds consider to invest in any Kotak group company, for the purposes of this Voting Policy, such Kotak group company will be treated at par with other portfolio investment of the Fund. This Voting Policy would not apply to temporary investments by the Funds in units of mutual funds / fixed deposits / corporate bonds of Kotak group entities. In such cases, the investments are done in accordance with the investment policy of the respective Fund and do not confer voting rights on the Fund.
- f. Investment in companies that have invested in any of the Funds: KIAL / Trustee Company shall not discriminate for / against any company that has invested in the Funds directly or through its group entities. All companies will be treated at par for the purpose of this voting policy.
- g. KIAL may consider the recommendations made by its external legal, financial or tax advisors for determining the vote cast (either for or against) concerning a particular matter which are not in the best interests of the investors of the Fund.

#### **E. Reporting and disclosure**

This Policy shall be effective from July 01, 2020 and shall be amended by the Committee of Directors ("COD")<sup>1</sup> from time to time.

As stated in the Stewardship Policy, KIAL is maintaining this policy as per the requirement stated in the circular issued by Securities and Exchange Board of India bearing number circular ref CIR / CFD / CMD1 / 168/ 2019 dated December 24, 2019 and shall at all times be in compliance with the said circular (including any amendments/modifications thereto).

With respect to the listed equity investments of the Fund, KIAL shall on a quarterly basis, publicly disclose a report on voting undertaken as per the requirement of the Voting Policy on its website. The report shall *inter alia* contain the following details:

- A) Details of actual voting on the proposed resolution of the portfolio company
- B) Rationale for such vote
- C) If written opinion from third party consultants was taken for the decision on voting and scope of such opinion.

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<sup>1</sup> The committee constituted by the Board of the Company vide resolution dated October 16, 2018

## ANNEXURE 1

### **A) Mechanism for voting decisions with respect to investments in listed equity investments**

Action on Resolution	< 1% Stake	>=1%< 5% Stake	>=5% stake
Voting For	CEO to decide	CEO to decide	CEO to decide
Abstain from Voting	CEO to decide	CEO to decide	CEO + MD to decide*
Voting Against	CEO to decide	CEO+ MD to decide*	IC to sign off

### **B) Mechanism for voting decisions with respect to investments in unlisted securities and investment in listed securities (except listed equity investments)**

Action on Resolution	Voting decision
Voting For	CEO of the concerned Vertical to decide
Abstain from Voting	CEO of the concerned Vertical to decide
Voting Against	CEO of the concerned Vertical and the Managing Director of KIAL to decide.*

#### **Notes:**

- 1) "Stake" refers to percentage holding in the paid up capital of the portfolio company.
- 2) "CEO" refers to CEO / Head of the concerned Vertical
- 3) "IC" refers to investment committee of the concerned Fund
- 4) \* In the event of deadlock between the decision of the concerned CEO and the Managing Director, the matter shall be escalated to the Investment Committee of the concerned Fund. Managing Director may, in his own discretion, escalate decisions to the IC, if he so deems fit even in case there is no deadlock.