



Role of L&T Investment Management Limited in “Corporate Governance” of Listed Companies

What is Corporate Governance?

Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way an organization is directed, administered or controlled. Corporate governance is a multi-faceted subject. At L&T Investment Management Limited (“LTIML”) we realize that setting up well established policies and procedures is the basic requirement of “Corporate Governance”.

General policies and procedures for exercising the voting rights by LTIML

General/ Purpose:

The purpose is to disclose general policies and procedures followed by LTIML for exercising the voting rights in respect of shares held in the Schemes of L&T Mutual Fund (“Fund”). LTIML understands its fiduciary duty to vote proxies and further understands that proxy voting decisions may affect the value of shareholdings. The Fund Management team of LTIML treats it accordingly in the best interest of the unitholders.

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 proxy and proposal will be considered based on the relevant facts and circumstances.

The principles and positions reflected in the Voting Policy are designed to guide LTIML in voting proxies, and not necessarily in making investment decisions. The Fund Management team of LTIML basis their determinations of whether to invest in a particular company on a variety of factors, and while corporate governance may be one such factor, it may not be the only primary consideration.

Risk Type:

Fiduciary

Applicability:

The Policy applies to the exercise of the voting (including proxy voting) by the authorized Officials/ Representatives of LTIML and/ or Custodian of the Fund in the AGMs/ EGMs/ Meetings of creditors/ preference shareholders of the Investee Companies.

Voting Policy and Process:

(a) Policy with respect to governance measures for investments in group companies of LTIML and investment in companies that have subscribed to the units of the Schemes of L&T Mutual Fund:

Following Policy is followed by LTIML for investing in Group Companies:

- Such investments are made backed by sound justification;
- Such investments are for pure commercial consideration; after having evaluated the same on merits;
- Such investments are at arm's length with no consideration of any existing/ consequent investments by an investor/ group of investors;
- Such investments are in accordance with the objective, asset allocation and investment policy of the concerned Scheme of LTIML.

LTIML is a part of a large Indian Conglomerate having diverse interests with many affiliates and makes its best efforts to avoid conflicts of interest. However, conflict of interest can arise in certain situations. Few such situations are:

- Investee Company is a group company or an affiliate of LTIML;
- Investee Company has subscribed to the units of any of the Schemes of Fund;
- In certain cases, where LTIML is lender to the Investee Company;
- Investee Company is an entity participating in the distribution of investment products advised or administered by LTIML

and in such situations the Investment Committee and Chief Executive Officer of LTIML will make best effort to avoid such conflicts. Further, they will endeavor that the decision taken are not influenced by any conflicting interests and are taken in the best interest of the unitholders of the Schemes of Fund.

In the event a proposal is giving rise to material conflict of interest due to, for example, a significant relationship with a company or material personal and family relationships or an affiliate of a company, or for any other reason which could influence the advice given, the Investment Committee and Chief Executive Officer should consult the Compliance Department of LTIML and only then decisions will be taken with respect to votings on such proposals.

b) Decision making process on voting policy:

1. LTIML through its authorized Officials and/ or authorized representatives and/ or Custodian of the Fund would submit voting instructions for Meetings, although LTIML may not attend/ vote for certain proposals of the Investee Companies.
2. LTIML may generally cast/ recommend FOR or AGAINST vote for a resolution for any of the following proposals: 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.

3. LTIML may usually vote in favour of company proposals reflecting its investment philosophy and process, although this does not preclude from voting against the Management on specific occasions wherein the Fund Management team may be of the opinion that the proposal is not likely to enhance economic value or cause indeterminate and unnecessary expense to shareholders.
4. However, there may be situations in which LTIML may be unable to vote a proxy, or may choose not to vote a proxy, such as where: (i) proxy ballot was not received, (ii) a meeting notice was received too late; (iii) there are fees imposed upon the exercise of a vote and it is determined that such fees outweigh the benefit of voting; (iv) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if LTIML votes a proxy or where LTIML is prohibited from voting by applicable law or other regulatory or market requirements, including but not limited to, effective Powers of Attorney; (v) the Fund held shares on the record date but has sold them prior to the meeting date; (vi) proxy voting service is not offered by the Custodian of the Fund in the market; etc.
5. LTIML would generally oppose anti-takeover proposals as well as any moves which adversely affect the voting rights of existing shareholders and to limit shareholders' right. LTIML do not generally favour shares with restricted or differential voting rights. Exceptionally, LTIML may also decide to abstain where LTIML have insufficient information or where LTIML wish to give a cautionary message to a Company.
6. The decision to participate in voting process will be taken jointly by Investment Committee and Chief Executive Officer of LTIML.

It may be noted that LTIML generally does not participate in voting. Further, LTIML may not be able to participate in all the voting (including proxy voting) opportunities. This is primarily due to volume and complexity of voting process, but may also be due to certain inherent inefficiencies in the process that are outside the control of LTIML.

Relying on Service Providers:

1. LTIML in exercising its proxy voting may rely upon the research or recommendations of one or more third party service providers.
2. Custodian of the Fund through their authorized representatives may also participate in proxy voting on behalf of LTIML/ L&T Mutual Fund Trustee Limited/ the Fund.

c) Internal mechanism for review and control process on the above issues

Authorization:

The decision of the Fund Manager to vote on any proposal shall require approval from the Investment Committee and Chief Investment Officer of LTIML.

Review and control:

The voting guidelines and the actual exercise of proxy voting will be reviewed periodically by the Investment Committee. The Investment Committee will review the process of exercise of proxy votes and governance.

Retention of records:

The Operation team is responsible for maintaining the following records:

1. Voting Policy and Procedures;
2. Proxy Statements;
3. Records of votes cast and abstentions; and
4. Any records prepared by the Adviser that were material to a proxy voting decision.

The records shall be kept records i.e. electronic or written copies.

Disclosure of Voting Policy and Exercise of votes:

In accordance with SEBI circular SEBI/IMD/CIR No 18/198647/2010, dated March 15, 2010, LTIML shall disclose the general policies and procedures for exercising the voting rights in respect of shares held by them on www.lntmf.com as well as in the annual report distributed to the unit holders from the financial year 2010-11.

Further, LTIML is also required to disclose the actual exercise of their proxy votes in the AGMs/EGMs/ meetings on its website as well as in the annual report distributed to the unit holders from the financial year 2010-11.

Policy Changes/ Updates:

This Policy will incorporate any regulatory injunctions from time to time and any such changes/ updates to the Policy will be carried out post the approval of the Investment Committee and Chief Executive Officer of LTIML.