

KOTAK MAHINDRA MUTUAL FUND

STEWARDSHIP POLICY

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1. Preamble and scope of policy on Stewardship Responsibilities

The Policy is framed to discharge Stewardship responsibilities in accordance with the guidelines set out by Securities and Exchange Board of India (SEBI) vide its circular ref. CIR/CFD/CMD1/168/2019 dated December 24, 2019. Kotak Mahindra Asset Management Company Ltd. (KMAMC) is an investment manager to Kotak Mahindra Mutual Fund (KMMF). As a part of this activity, the investment management team of KMAMC is expected to monitor and engage with the investee company on matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration etc.), material environmental, social and governance (ESG) opportunities or risks, capital structure etc. and any other issues such that the interest of the unitholders is protected.

This policy will be referred to as Stewardship Policy to include responsibilities to be undertaken by KMAMC and the processes that the company intends to follow in order to safeguard the interest of the unitholders.

This policy will be effective from 1st July 2020 and would be reviewed and updated as and when appropriate or as and when there are regulatory changes. The Voting Committee shall recommend the changes to the policy which shall be approved by the Board.

2. Stewardship Principles:

In an endeavor to safeguard the interest of the unitholders, KMAMC shall work towards fulfilling the objectives of the below listed principles:

Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their Stewardship responsibilities, publicly disclose it, review and update it periodically

a. Primary Stewardship Responsibilities:

The primary Stewardship responsibilities of KMAMC shall be:

- i. Monitoring and actively engaging with investee companies for threshold of large investments (as defined in the Voting policy (currently where it holds more than 2% of the individual scheme net assets)) on various matters including performance (operational, financial etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social and governance (ESG) opportunities or risks, capital structure, etc.
- ii. To vote and engage with investee companies in a manner consistent with the best interests of its shareholders/investors.
- iii. To influence the development of corporate governance standards and corporate responsibility.
- iv. Be accountable to shareholders/investors within the parameters of professional confidentiality and regulatory regime.
- v. To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

b. Discharge of Stewardship responsibilities:

KMAMC shall fulfil its stewardship responsibilities by way of below activities:

- i. KMAMC shall continue to follow the voting policy formulated pursuant to SEBI circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010 along with the various circulars issued by the SEBI from time to time to deal with the exercise of its voting rights in Investee companies.
- ii. KMAMC shall appropriately monitor and engage on any issue which may potentially, affect an investee company's ability to deliver long term sustainable performance and value for threshold of large investments.
- iii. KMAMC shall endeavor to work collectively with other institutional investors and support collaborative engagements organized by representative bodies and others for threshold of large investments.
- iv. The Fund Managers / relevant team members shall ensure to attend appropriate training events and courses to ensure implementation and compliance to the Principles as enumerated in the policy.
- v. KMAMC shall disclose compliance to the Policy and the Principles therein at such places and at such periodicity as defined by SEBI from time to time.

c. Oversight of the Stewardship activities:

- i. The Voting Committee of KMAMC shall ensure that there is an effective oversight of its stewardship activities. The Voting Committee shall be responsible for the overall implementation and execution of this Policy. The threshold of investment in the investee company beyond which KMAMC shall perform its stewardship activities shall be prescribed by the Voting Committee. The investee company referred to in this policy shall mean Investee companies in which schemes of KMMF has made equity investments.

d. Disclosure of Stewardship Code:

- i. The Stewardship policy and amendment thereto, shall be disclosed on the website of KMAMC.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it

a. Managing Conflict of Interest:

Term – Conflict of interest

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activity. A conflict of interest exists where the interests or benefits of the Mutual Fund (including its employee, officer or director) conflict with the interests or benefits of its shareholder/investor or the investee company.

Avoiding Conflict of Interest

KMAMC shall undertake reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, the Voting Committee may be consulted.

Since KMAMC makes investments in Investee Company solely acting as an Investment Manager of KMMF i.e. KMAMC does not invest in equity shares on its own account, it is always ensured that interest of client / beneficiary is protected.

Identifying Conflict of interest

While dealing with investee companies, KMAMC may be faced with a conflict of interest. Given below are a few instances where conflict of interest may arise:

- KMAMC and the investee company are part of same promoter group;
- The investee company is also a client of KMAMC or its group companies or affiliates;
- The investee company is a partner or holds an interest, in the overall business of KMAMC;
- Any of the group companies or affiliates of KMAMC is a vendor or partner of the investee company;
- Any employee or the nominee of KMAMC has been appointed as a director or a key managerial person of the investee company; or
- Directors / Promoters / Officials of Investment department/ Members of Investment Committee / Members of Voting Committee has a personal interest in the investee company;

Manner of managing conflict of interest:

To manage the above conflicts of interest, KMAMC shall ensure that:

- A conflict of interest in relation to an investee company shall be highlighted to the Voting Committee and get recorded.
- The employees shall comply with code of conduct for prevention of Insider trading in compliance with SEBI (Prohibition of Insider Trading) Regulations.
- Rationale for voting on each shareholder resolution shall be recorded by KMAMC.
- In the event wherein the investee company is part of same promoter group, KMAMC shall be guided by the requirements as mentioned in Voting Policy.

In case a conflict of interest emerges in the course of the implementation of its stewardship initiatives, KMAMC shall put the utmost value of interest of its unitholders.

Once the conflict of interest has been appropriately disclosed, the Voting Committee (excluding the member disclosing conflict of interest) will take the required decisions.

Principle 3: Institutional investors should monitor their investee companies

a. Monitoring of Investee Company

KMAMC shall regularly monitor all investee companies

b. Manner of Monitoring:

KMAMC shall supervise and monitor investee companies in respect of important aspects which may include performance of the companies, quality of company management / board, corporate governance, strategy, risk, shareholder rights and their grievances, to the extent these are available from public sources.

KMAMC shall actively monitor the investee companies for the threshold of large investments.

KMAMC may use publicly available information, sell side research and industry information and shall engage with the investee companies' investor analyst calls on a periodic basis.

KMAMC may review the investee companies' business strategy and performance, industry risk and opportunities, impact the investee companies make, risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance including structure of the board (including board diversity, independent directors etc.), related party transactions etc., risks including, cultural, social and environmental matters shareholders rights, their grievances etc. among other matters.

The Voting Committee shall review the monitoring and engagement activities being carried out by the investment team on an annual basis.

Principle 4: Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.

a. Intervention Policy

KMAMC may intervene in case of large investments, if in its opinion, any act / omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.

KMAMC may consider intervening in matters below the thresholds, if in the reasonable opinion of the Voting Committee, the issue involved may adversely impact the overall corporate governance or the Company's investment.

The mechanism followed by KMAMC for intervention shall include:

Communication & engagement: KMAMC shall communicate and engage with the investee company's management about any concerns of the company including steps to be taken to mitigate such concerns. If the matter comes to voting, KMAMC shall exercise its voting rights.

Collaboration: KMAMC shall consider collaboration with other institutional investors, professional associations, regulators, and any other entities where it deems necessary. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.

Escalation: In case there is no progress despite the first two steps, KMAMC shall escalate the matter to the Voting Committee. If the Voting Committee decides to escalate, KMAMC shall engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. KMAMC may also consider discussing the issues at the general meeting of the investee company.

Reporting to the Regulators: If there is no response or action taken by the investee company despite the above steps, KMAMC may approach the relevant authorities [or can consider recourse to other legal actions]

Principle 5: *Institutional investors should have a clear policy on voting and disclosure of voting activity*

KMAMC shall continue to follow the Voting Policy formulated pursuant to SEBI circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010 along with the various circulars issued by the SEBI from time to time while discharging this principle. The disclosures in adherence to this principle shall be made as prescribed by SEBI from time to time.

Principle 6: *Institutional investors should report periodically on their stewardship activities*

KMAMC shall follow the reporting requirements in accordance with the guidelines set out by SEBI and as may be modified from time to time.

KMAMC shall publicly disclose a report on voting undertaken as per the requirement of the Voting Policy and other reports as may be prescribed by SEBI from time to time.

KMAMC shall disclose the report on implementation of every Principle as enumerated in the policy on its website on an annual basis. Also the report on implementation of every Principle shall form part of annual intimation to the unitholders.

KMAMC shall publicly disclose the updated Policy as and when modified.