



**Nippon india Mutual Fund**

Wealth sets you free

# Proxy Voting Policy

Version 16

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## Version control

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## 1. Background

The Securities & Exchange Board of India (“SEBI”), vide circular numbers SEBI/IMD/CIRNo18/198647/2010 dated March 15, 2010, CIR/IMD/DF/05/2014 dated March 24, 2014, SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016, CIR/CFD/CMD1/168/2019 dated December 24, 2019 and SEBI/HO/IMD/DF4/CIR/P/2021/29 dated March 05, 2021, mandated Mutual Funds to have a clear policy on voting and disclosure of voting activity to protect interest of unitholders and to improve governance of investee companies. The relevant guidelines and circulars issued by SEBI from time to time in this regard have stated that Mutual Funds should play an active role in ensuring better corporate governance of listed companies.

In terms of the above, we, Nippon Life India Asset Management Limited (“NAM India” or “AMC”), the Investment Manager to the schemes of Nippon India Mutual Fund (“NIMF”), have a fiduciary responsibility to act in the best interest of the unitholders of NIMF and such responsibility includes exercising voting rights attached to the securities of the investee companies.. In light of this, NAM India has formulated the general voting policy and procedures for exercising the voting rights for the schemes of NIMF (“Proxy Voting Policy” or “Policy”).

## 2. Objective

The AMC recognizes that its role with respect to proxy voting and stewardship activities is to protect interest of unit holders and not to interfere in the

operations of its investee companies.. The AMC, at no point in time, intends to participate directly or indirectly in the management of the companies.

The Proxy Voting Policy covers the framework and principles to be followed for exercising voting rights. The AMC may rely on a company's disclosures, its Board's recommendations, company's track record, specific best practices codes, in-house research analysis, recommendations of external voting advisory services, etc.

### **3. General Voting Policy**

*[Reference: Para no.4(iii) of SEBI Circular SEBI/IMD/CIR No 18/ 198647 /2010 dated March 15, 2010]*

NAM India is the Investment Manager of the schemes of NIMF. Proxy voting is the paramount, fiduciary duty of the AMC on behalf of the unit holders. The AMC recognizes that this duty requires it to vote on behalf of the unit-holders in a timely manner and make voting decisions in advancing the economic interests of the unit-holders and protecting their rights as beneficial owners of the investee companies.

The AMC has adopted general guidelines for . Proxy voting. The guidelines set forth below are not and cannot be a comprehensive survey of the proxy voting guidelines as all kinds of issues cannot be anticipated. Therefore, these guidelines reflect some of the principles that will generally be supported by the AMC. However, the AMC may exercise its discretion and act accordingly in some instances when it determines that based on the facts, such action is in the best interest of the unitholders. The AMC shall compulsorily cast votes for

all the schemes of mutual fund including passive schemes like index funds, exchange traded funds, etc., in respect of the resolutions which includes the following:

A. **Corporate Governance matters** (*including changes in the state of incorporation, merger and other corporate restructuring and anti-takeover provisions*)

Mergers and acquisitions and corporate restructuring proposals will be subject to appropriate review on a case-to-case basis to determine whether they would be beneficial to shareholders' interest. The Investment department will analyze various economic and strategic factors in making the final decision on a merger, acquisition or any other corporate restructuring proposals. Based on the fund manager's opinion whether the proposal is likely to enhance the economic value or cause indeterminate and unnecessary expense to shareholders, the AMC may exercise a vote either in favor or against the proposal.

B. **Changes to capital structure** (*including increases or decreases of capital and preferred stock issuances*)

The proposals for approval to alter the capital structure of the company, such as an increase in authorized capital, will generally be supported. However, each proposal shall be evaluated on a case-to-case basis, to determine whether the proposed changes are in the best interest of the shareholders.

### **C. Stock option plans and other management compensation issues**

In general, compensation matters are normally determined by the Company's Board of Directors, rather than the shareholders. The AMC would generally support proposals for Employee Stock option plans and other management compensation plans which are tied to achieving long-term performance and enhancing shareholder value, but would oppose excessive compensation and any undue favour to managerial staff or the promoter group, especially during turbulent periods for the company, if it feels that approval of the plan would be against shareholder interest.

### **D. Social and Corporate Responsibility Issues**

The AMC would generally support proposals on social and corporate responsibility issues that have demonstrable economic benefit to the issuer and long-term economic value of the securities held in the scheme on case-to-case basis.

### **E. Appointment and Removal of Directors**

The foundation of good corporate governance is in the selection of responsible and qualified Directors who are likely to diligently represent the interest of all shareholders and oversee management of the Company in the manner that will seek to maximize shareholder value over time.

Hence, the AMC would generally support the Board's nominees in the election of Directors, who possess a good track record, and generally

support proposals that strengthen the independence of Board of Directors. However, each such proposal shall be evaluated on a case-to-case basis.

- F. Any other issue that may affect the interest of the shareholders in general and interest of the unitholders in particular, including but not limited to board and executive remuneration, shareholders rights, audits and accounts, grant of ESOPS, appointment of auditors, corporate charter and by-laws, conflict of interest, etc.
- G. Related party transactions of the investee companies (excluding own group companies) will be analyzed properly to assess if it is beneficial to the shareholders.

Compulsory casting of votes may be exempted in case of NIMF having no economic interest on the day of voting.

The vote shall be cast at Mutual Fund Level. However, in case Fund Manager/(s) of any specific scheme has strong view against the views of Fund Manager/(s) of the other schemes, the Proxy Voting Committee shall allow the voting at scheme level subject to recording of detailed rationale for the same.

[Reference: Point 4, SEBI Circular dated March 05, 2021]

Fund Managers / Decision Makers (i.e., Proxy Voting Committee (if the committee has been involved in any decision)) shall submit a declaration on quarterly basis to the Trustees that the votes cast by them have not been

influenced by any factor other than the best interest of the unit holders. Further, Trustees in their Half Yearly Trustee Report to SEBI, shall confirm the same. [Reference: Point 5, SEBI Circular dated March 05, 2021]

#### **4. Proxy Advisory Services**

The AMC is currently seeking the services of the following two proxy advisory service providers:

- Institutional Investor Advisory Services (IIAS)
- Stakeholders Empowerment Services (SES)

The AMC would be free to appoint any other service providers as felt appropriate from time to time. The Stewardship Committee, duly constituted under the Stewardship Policy of the AMC, is authorized to approve engagement of an external agency for proxy voting or other voting advisory services.

Scope of the above proxy advisory services is limited to only assisting the AMC with research and recommendations pertaining to the proposed resolutions of the investee companies.

Fund management/ Risk Team of the AMC will consider the recommendations of the above proxy advisory service providers as supplementary information which will help them to decide on the various resolutions of the investee companies. Final decision to vote (for/against) will be taken by the investment department, in the best interest of the unitholders.

At no point will the AMC be bound by the recommendations/suggestions of the proxy advisory service providers. The AMC shall use its discretion whether to

rely on and act on the recommendations given by such proxy advisory service providers.

## 5. Proxy Voting Committee

Decisions regarding proxy voting where Fund Management/Risk Team feel the need for further deliberation would have to be approved by Proxy Voting Committee.

The Proxy Voting Committee shall consist of senior members of AMC's Management as appointed by the Board.

The Proxy Voting Committee would consist of the following members:

- Chief Risk Officer
- Chief Legal and Compliance Officer
- Equity Research Head
- Head – ETF

*In case of unavailability of any of the above committee members, any senior team member can represent in the Proxy Voting committee meeting.*

- **Quorum**

The quorum of the Proxy Voting Committee meetings shall not be less than three members.

For the purposes of quorum, the presence may either be in person or via teleconference or video conference.

Members and personnel from various departments may be asked to participate when considered necessary.

- **Frequency**

The Proxy Voting Committee shall meet as and when required.

The above committee composition and quorum would be subject to the approval of the Board of Directors of the AMC and may be revised by the Board from time to time.

## **6. Procedure/Mechanism for Voting**

The following procedures would generally be followed at the time of voting:

1. All notices for which a decision needs to be made regarding voting would be sourced from the Custodian or other specialized agencies providing this service.
2. It would be determined whether the holdings are in the schemes of NIMF on record date.
3. The Fund management/ Risk team may if it considers it necessary take note of the views of any third party or any member of the NIMF's Research teams before taking any decision.
4. The AMC will be exempted from compulsorily voting in cases where:
  - i. Notices were either not received or received late from the investee company or custodian / service provider.
  - ii. NIMF having no holdings on the record date / day of voting.
  - iii. Holdings are in the group companies.

The minutes of the Proxy Voting Committee and Stewardship Committee shall be placed before the Board of Directors of Nippon Life India Trustee Limited and NAM India at subsequent meeting.

## **7. Conflict of Interest**

The AMC recognizes that there may be a potential conflict of interest when it votes on an entity with which AMC may have some relationship. However, the Investment department will ensure to vote in the interest of the unit holders in line with the stewardship policy and relevant regulations.

In instances where the investments are in group companies of the AMC the Proxy Voting Committee will specifically review all such proposals and will take voting decisions in the best interest of unit holders.

The fund managers / decision makers shall intimate the Risk Management team in case of any conflict of interest and shall not participate in any recommendation / decision making process on the resolutions of the underlying company.

## **8. Disclosure of Proxy Voting and other matters associated with such disclosures**

In terms of SEBI circular numbers SEBI/IMD/CIRNo18/198647/2010 dated March 15, 2010, CIR/IMD/DF/05/2014 dated March 24, 2014 and SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, the AMC shall make disclosure of votes cast on its website (in machine readable spreadsheet format) on a quarterly basis, within 10 working days from the end of the quarter and on an annual basis within 10 working days from the end the financial year, as per the format prescribed by the SEBI from time to time. A detailed report in this regard along with rationale and summary thereof shall also be disclosed

on the website of the AMC. Also, in order to enhance transparency on votes cast by ESG schemes, under the rationale for voting decisions (whether “in favour” or “against”), we shall categorically disclose whether the resolution has or has not been supported due to any environmental, social or governance reasons. Further any instances wherein the voting approach for ESG and non-ESG schemes of any Mutual Fund is not same, the details and rationale for votes cast on behalf of ESG schemes and non-ESG schemes shall be disclosed separately. (as per new circular SEBI/HO/IMD/IMD-I -PoDI/P/CIR/2023/125 dated:20th July 2023)

Further, AMCs shall provide the web link in its annual reports regarding the disclosure of voting details.

Further, in terms of SEBI circular number SEBI/HO/IMD/DF2/CIR/P/2016/68 dated August 10, 2016, the AMC shall obtain annual certification on the voting reports being disclosed by the AMC for the NIMF schemes. Such certification shall be obtained from a “scrutinizer” in terms of Rule 20(3)(ix) of the Companies (Management and Administration) Rules, 2014 and any future amendments to the said Rules thereof. The same shall be submitted to the trustees and also disclosed in the relevant portion of the Mutual Funds' annual report & website. [Reference: SEBI Circular dated August 10, 2016]

Board of Nippon Life India Trustee Limited and NAM India shall review and ensure that the AMC has voted on important decisions that may affect the interest of investors and the rationale recorded for vote decision is prudent and adequate. The confirmation of the same, along with any adverse comments

made by the scrutinizer, shall be reported to SEBI in the half yearly trustee reports.

Further, this Policy, as revised from time to time, shall be uploaded on the website of the AMC.

## **9. Policy Review**

This policy shall be reviewed at annual intervals or earlier, if required