



# VOTING POLICY

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# **VOTING POLICY**

## **A. Background & Purpose**

Securities and Exchange Board of India (“SEBI”) vide its Circular No. CIR/CFD/CMD1/168/2019 has prescribed stewardship principles to be adopted and implemented by all Mutual Funds (MF) and all categories of Alternative Investment Funds (“AIF”), in relation to their investment in listed equity.

HDFC Capital Advisors Limited (“**Investment Manager**”) acts as an investment manager to HDFC Capital Affordable Real Estate Fund – 1 (“**HCARE-1**”), HDFC Capital Affordable Real Estate Fund – 2 (“**HCARE-2**”) and HDFC Capital Affordable Real Estate Fund – 3 (“**HCARE-3**”) i.e the first scheme of HDFC Capital AIF-3 (“**HCAL AIF-3**”) and HDFC Capital AIF-3 – Scheme 2 (“**HCAL AIF-3 – Scheme 2**”) i.e. the second scheme of HCAL AIF-3.

HCARE-1, HCARE-2 and HCAL AIF-3 are a Category II AIF registered with SEBI.

HCARE-1, HCARE-2, HCARE-3 and HCAL AIF-3 – Scheme 2 as well as any other funds/schemes to which the Investment Manager may act as an investment manager/ sponsor/ settlor now or in the future shall hereinafter be individually referred to as “**Fund**” and collectively as “**Funds**”.

While the primary objective of the Funds is to invest in unlisted securities, the Funds may invest/ have invested in listed securities in certain circumstances and in accordance with the investment objective of the respective Fund and the SEBI (AIF) Regulations, 2012.

This Voting Policy (“**Policy**”) is formulated to broadly lay down the mechanism of voting, voting guidelines, disclosure requirements and review and control. The Investment Manager may rely on a company's disclosures, its board's recommendations, company's track record, specific best practices codes, in-house research analysis, recommendation of external voting advisory services, etc.

The Policy is approved by the Board of Directors of the Investment Manager and is applicable to the Funds. The Code must be read in conjunction with SEBI Circular No. CIR/CFD/CMD1/168/2019 on Stewardship Code and any other related directives, etc. as may be issued by SEBI from time to time in this regard.

## **B. Guiding Principle(s) of the Policy**

While deciding on exercising a vote, the Investment Manager's objective would be:

1. To support such proposals that tend to maximise shareholders' value and in turn, enhance the value proposition for the investors;
2. To evaluate proposals and take voting decisions such that the interest of the minority shareholders are protected and to signal dissent to proposals that favour promoters / dominant shareholders at the expense of minority shareholders; and
3. To ensure that the decision to cast a vote is not influenced by conflict of interest.

## **C. Guidelines for exercising a vote:**

Specific decision on a particular resolution i.e. to support, oppose or abstain from voting, shall be taken on a case-to-case basis considering potential impact of the vote on shareholder value and interests of the investors of the schemes of the Funds at large. The Investment Manager may, also at its discretion, choose to abstain from participating in any resolution and hold a neutral stance, should the concerning issue be of no major relevance for the shareholder value and/or investor interest. The general guidelines which the ISC would follow while evaluating voting decisions are as follows:

1. support changes to the capital structure which appear to give better returns on capital employed and in the long term interest of the shareholders;
2. votes on key decisions concerning fundamental corporate changes, extraordinary transactions, key corporate governance decisions, shall be decided on the case to case basis in the long term interest of the investors;
3. support proposals for employee stock option plans which appear to have been designed for creating employee ownership culture which in turn would enable better employee participation and value creation;
4. generally support proposals for appointment of independent directors as proposed by board of directors of the listed company and proposals that strengthen the independence of the board of directors;
5. other proposals submitted to shareholders related to selection of the auditors, amendments to the company's charter or by-laws and issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, would be addressed on a case-to-case basis with a focus on the potential impact of the vote on shareholder value;
6. to evaluate proposals on related party transactions of investee companies after considering, inter alia, compliance with the provisions of the Companies Act, 2013, SEBI (Listing and Disclosure

Obligations) Regulations, 2015, applicable accounting standard and disclosures made in this regard by the investee companies. Investment Manager shall not support related party transactions which are not in the best interest of the investors;

7. in case the investment manager of any specific scheme(s) has different views, the voting at scheme(s) level shall be allowed on case to case basis subject to recording of detailed rationale for the same;
8. key areas that may be considered for the purpose of voting will be related to corporate governance and matters related to future prospects of the investee companies including director appointments and compensation, corporate restructuring and related party transactions. Additional factors, including recommendations made by any proxy advisory firms while voting, may also be considered.

#### **D. Decision Making Process**

Internal Investment Committee (IIC) comprising of senior management of the Investment Manager will be the Investment Stewardship Committee (“ISC”) of the Investment Manager. ISC will be responsible for effective implementation of the Policy. The process to be followed while evaluating voting decisions is as follows:

1. All voting matters should be brought to the attention of ISC and the voting decisions (i.e. whether the Investment Manager will vote for or against the resolution or abstain from voting) should be taken by the Investment Manager based on the direction of the ISC;
2. ISC/ Investment Manager may consult with other institutional shareholders and may consider the inputs from external agencies to arrive at the decision, if so required however ultimate decision shall be of ISC; and
3. The voting rights on behalf of the Funds/ scheme(s) of the Funds will be exercised by the authorised representatives of the Investment Manager or an externally authorised agency or employees of the custodian, as may be required or applicable.

#### **E. Conflict of Interest:**

The Investment Manager is part of a large and diversified financial services group with many affiliates and related companies. From time to time, the Investment Manager may face conflicts of interest in relation to its stewardship responsibilities. However, the approach adopted by the Investment Manager will always be to keep the best interest of the investors ahead. As a rule, in all cases of conflicts of interest, the voting decision will be based on the best interest of the investors.

## **F. Mechanism of Voting**

With the introduction of voting through electronic means, the Investment Manager cast its votes on the voting platforms offered by NSDL/CDSL and other service providers. At times, even after voting through the electronic means, the Investment Manager may decide to attend the general meetings of the investee companies as it provides an opportunity to pose questions to the directors of the investee companies. Where e-voting is not mandated or in cases where e-voting is not possible, the Investment Manager may endeavour to vote through proxy.

## **G. Disclosures:**

Wherever a vote is exercised (for, against or abstain) by the Investment Manager in accordance with the Policy, such actual exercise of the votes or proxy votes (as applicable) in the AGMs/EGMs of the listed investee companies shall be disclosed to the investors and on the website of the Investment Manager.

The Investment Manager shall disclose the following with respect to votes cast:

- (a) specific rationale supporting their voting decision (for, against or abstain) with respect to each vote proposal stated above.
- (b) such disclosure on the Investment Manager's website shall be done on a quarterly basis, within 45 working days from the end of the quarter; and
- (c) Investment Manager shall continue disclosing voting details in their annual report to the investors of the Funds.

This Policy has been disclosed on the website of the Investment Manager i.e. <https://www.hdfccapital.com/> and shall also be suitably set forth in the Annual Report of the Fund schemes distributed to the investors.

## **H. Review and control**

The Policy will be reviewed by the Investment Manager and the ISC on an annual basis.

If any point of time a conflict of interpretation/information between this policy and any regulations/rules/guidelines/notifications/clarifications/circulars/master circulars/master directions issued by SEBI, then interpretation of such regulations/ rules/ guidelines/ notifications/ clarifications/circulars/master circulars/master directions issued by SEBI shall prevail.