

**VOTING ON RESOLUTIONS** reflects an active involvement in key corporate moves; participation recorded in AGMs during FY22 is the maximum in over a decade

# MFs Show Cos They Have Stakes in Governance, too

**Rajesh Mascarenhas**  
@timesgroup.com

**Mumbai:** Mutual fund managers are becoming more forthcoming about their differences with company managements. Be it disagreements over exorbitant pay packets of company officials, misallocation of company's funds, or even objectionable appointments, these money managers are making their displeasure evident by voting against the moves in shareholder meetings.

For instance, in FY22, the mutual funds' proportion of votes against resolutions put forth by the companies was 4.85%, the highest in over a decade, according to data compiled by primemfdatabase.com. In the period between April and June of 2022, their proportion of voting against was 5.87%. In FY21, 2.97% of votes were against compared to 3.83% in FY20.

"Fund managers are very careful nowadays about voting in AGMs as everyone from the regulator to investors are watching," said Amit Tandon, managing director, Institutional Investor Advisory Services. "Majority of the resolutions of companies that have been voted against by fund houses involve higher remuneration for directors, employee stock ownership plan (ESOP), capital allocation, change in capital allocation."

Mutual fund managers have voted against some resolutions by several large companies, including ABB, ACC, Ambuja Cement, Asian Paints, Britannia, Hindustan Lever, HDFC Life, HDFC AMC, ICICI Prudential Life, Indian Hotels, TVS Motors, and Voltas, among others.

The rise in minority shareholders—mainly fund managers—opposing management decisions is a stark contrast to the situation earlier when fund managers and investors mostly abstained from voting.

With mutual funds handling more money than ever before and the Securities and Exchange Board of India placing more emphasis on institutio-

## MFs at the Ballot Box

Details	% Votes			
	Apr-Jun '22	FY22	FY21	FY20
For	93.70	92.29	83.63	85.06
Against	5.87	4.85	2.97	3.83
Abstain	0.40	2.25	13.16	10.93
Others	0.03	0.61	0.24	0.17
Total	100	100	100	100

Source: primemfdatabase.com



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nal investors' participation in the voting process, fund managers are no longer mute spectators.

"Fund managers have now realised that the value of their investment in a company is directly linked to corporate governance," said JN Gupta, MD & CEO, Stakeholders Empowerment Services (SES), a proxy advisory firm. "With the regulator forcing the institutions to participate aggressively in the voting coupled with the active role of proxy agencies and Stewardship Code has increased the share of 'against' votes by MFs."

Recently, most mutual funds in Britannia voted against a company proposal in a shareholder meeting in June seeking approval to make investments, loans, and guarantees, up to ₹5,000 crore.

Similarly, the reappointment of Venu Srinivasan as director in TVS Mo-

tors, liable to retire by rotation, was opposed by three fund houses last month. A resolution by TCS about approving existing and new material-related party transactions with Tata Sons and its subsidiaries, Tata Motors, was opposed by some fund managers.

Similarly, a few fund houses opposed the reappointment of Amit Syngle as the managing director and chief executive officer (CEO) of Asian Paints.

Market regulator Sebi introduced the Stewardship Code for all mutual funds and all categories of alternative investment funds (AIFs) from July 1, 2020, and asked institutional investors like banks, insurance companies, and pension funds to follow the 'transparent' Stewardship Code to be accountable to their clients and beneficiaries.

The market regulator mandated that all schemes vote on the resolutions, even if the company's equity shares are held as passive investments through an index fund or exchange-traded fund (ETF) effective from April 1, 2022.

"Mutual funds now will have cast votes on the resolutions that may affect the interests of shareholders and the interests of the unitholders, such as corporate governance matters, changes in capital structure, stock option plans, and management compensation, among others," said Shriram Subramanian, founder and managing director of InGovern Research Services.