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Invesco Developing Markets Fund Releases Open Letter to Zee Entertainment Shareholders

Contact: Jeaneen Terrio, jeaneen.terrio@invesco.com, 212-278-9205 and
Sid Panicker, Siddharth.panicker@edelman.com, +91 9820857522

- Restates urgent need for strengthened independence on Zee's Board given governance and leadership failures as well as prolonged underperformance
- Welcomes all potential strategic alignments, but expresses concerns over any transaction terms which enrich Zee's founding family at the expense of ordinary shareholders
- Reaffirms resolve to pursue extraordinary general meeting (EGM) to hold the Board and management accountable and effect necessary change at Zee

Mumbai, October 11, 2021 – Invesco Developing Markets Fund, Zee Entertainment's ("Zee" or the "Company") largest shareholder with an ownership interest of nearly 18%, today released an open letter to Zee shareholders, outlining the urgent need for independent perspectives on the Company's Board of Directors (the "Board").

"As long-term investors and stewards of investor capital, the Invesco Developing Markets team takes its fiduciary duty very seriously and is committed to acting in the best interest of clients and shareholders," said Justin Leverenz, Chief Investment Officer, Developing Markets Equities. "We have been a significant shareholder in Zee Entertainment Enterprises for over a decade. The depth of talent within Zee gives us conviction that if the company were properly managed, it has the potential for tremendous growth and success.

"We are disappointed that the leadership of Zee has resorted to a reckless public relations campaign in response to the overwhelming demand from shareholders for leadership changes at Zee," Mr. Leverenz added. "These actions and rhetoric are aimed at avoiding true accountability for the governance lapses and shareholder value destruction that the current leadership and Board have presided over. We are calling on Zee shareholders to join us in asking why the founding family, which holds under 4% of the company's shares, should benefit at the expense of the investors who hold the remaining 96%."

Highlights of the letter include:

Zee's incumbent Board and management have demonstrably destroyed shareholder value.

- On the eve of Invesco's EGM requisition on 11 September 2021, Indian stock market indices had more than doubled in the preceding five years, while Zee's stock had more than halved in the same period[1]. The 40% stock increase[2] in response to the EGM requisition action indicates years of frustration among shareholders and an appetite for change.

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[1] Source: Bloomberg
[2] On 14 September 2021; Source: Bloomberg

- Weak governance and a permissive Board have enabled Zee's growing entanglement with the financial distress of the founding family. This has brought extraordinary reputational damage and regulatory rebuke to Zee.

Recent actions of Zee's leadership and Board further confirm a deep apathy to shareholder rights.

- Since the EGM demand, Zee's management and Board have gone to great lengths to deny a basic shareholder right enshrined in Indian law. A reckless and desperate public relations effort on the part of Zee's founding family aims to deflect from the issues core to Zee.
- Zee needs a demarcation between the promoter family and the institution. Its Board needs to be strengthened with independent directors who take their jobs seriously, who robustly debate vital decisions and who serve as guardians of all shareholder interests.

Strategic alignments are welcome but must be fair to all shareholders.

- A better governed Zee would be substantially more valuable on its own. However, strategic alignments that help build a stronger media platform are also welcome.
- It is concerning that the current terms of the Sony-Zee announcement gift additional 2% equity to the founding family via a non-compete that seems entirely unjustified, while also providing a pathway for the founding family to raise its stake from 4% to 20% via methods that remain wholly opaque.
- Any transaction will be evaluated in a constructive spirit if and when full details are made available.

Good governance can steer Zee to a bright future.

- A Board that has been strengthened with independent voices can guide Zee into a healthy future, deliberate and decide on its leadership structure, and create a framework for the equitable evaluation of any potential strategic alignments.

About Invesco Ltd.

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About Invesco Developing Markets Fund

Invesco Developing Markets Fund is a US registered investment company which as of August 31, 2021, has approximately US$50.7 billion assets under management. Invesco Advisers, Inc. serves as the Fund's investment adviser. Invesco Advisers, Inc. is an indirect wholly owned subsidiary of Invesco Ltd.

<u>Open Letter to Shareholders of Zee Entertainment Enterprises Limited (Zee)</u>

11 October 2021

Dear Fellow Shareholders,

On 11th September 2021, we called upon the Management and Board of Zee to hold an extraordinary general meeting of shareholders. The purpose of this action – unique in the almost 25-year history of our fund – is to enable all shareholders to vote on the proposed removal of the remaining non-independent director and to add six additional independent directors to the Board.

Zee's 40% stock price increase after our intentions became public demonstrates the frustration of Zee's long-suffering investors and the appetite for change.

Through this letter, we are writing to (1) reiterate the urgent need for independent perspectives on Zee's Board given the Company's governance failures and prolonged underperformance; (2) reaffirm our resolve to pursue an extraordinary general meeting of shareholders (EGM) to hold the Board and management accountable; and (3) express our concerns over some of the terms of Sony's proposed alignment with Zee, which unfairly favor the founding family at the expense of other shareholders.

Repeated governance failures and underperformance make the case for change at Zee clear.

1. Our initiative is driven by our belief that the promoter family of Zee, with the support of its current board of directors, continues to evade accountability to its ordinary shareholders, who own 96% of Zee's equity. This lack of governance oversight by Zee's current board has permitted Zee's deep entanglement with the financial distress of its founding family, as identified in SEBI's letter of 17 June 2021. In this extraordinary regulatory rebuke, SEBI mentioned *"large outstanding dues from related parties," "letters of comfort issued by Directors of the Company without informing the Board,"* and alongside other observations, concluded that *"actions of the Company are not in the best interest of shareholders*." These matters are in the public domain and you, as shareholders, are as aware of them as we are. We note that on the eve of our EGM requisition, Indian stock market indices had more than doubled in the preceding five years, whereas the stock of Zee had more than halved in the same period. This is a somber report card.

2. As long-term investors, we regularly engage with our portfolio companies. Over the past two years, we initiated several friendly and well-meaning conversations with Zee's management to support a revitalized situation at the Company. These discussions included suggestions around disclosures, capital allocation, ring-fencing, distancing Zee from the long shadow of other family "group companies" and indeed, also included thoughts around strategic alignments. This prolonged and regular engagement has yielded nothing other than platitudes such as "Zee 4.0." On the eve of our EGM requisition demand, Zee remained a highly under-valued asset, mired in innuendo and financial volatility.

Zee cannot achieve its potential without strengthening its governance framework.

3. Since our EGM requisition, we have witnessed the strange spectacle of Zee's management, with the support of its current Board, going to great lengths to deny what Indian law deems a statutory right to ordinary shareholders. These actions, which ostensibly are being taken in the "best interests of all shareholders," as Zee's communications claim, are in fact indicative of a management team that places self-interest over the interest of the institution it leads, its employees and all other shareholders, as well as a Board whose permissive culture has enabled this behavior and its consequences. This is precisely why we believe Zee's Board needs to be strengthened with independent directors who take their jobs seriously, who robustly debate vital decisions and who serve as guardians of all shareholder interests.

4. As fiduciaries to our own investors, our North Star has always been to help guide Zee to achieve its potential. The foundations of good governance lie in the demarcation between individuals and institutions, and the reconciliation of self-interest with the paramount goal of furthering shareholder interests. It is our belief that a better governed Zee would have been at a very different pedestal than where it finds itself today. It would most certainly have avoided the reputational damage and the shareholder value erosion of the last few years. To that end, we are certain in our conviction that putting in place healthier governance structures at Zee is in and of itself a value accretive action.

Strategic alignments are welcome but must be fair to all shareholders.

5. We agree that Zee's potential does not stop at it being a well-governed stand-alone entity. We have noted and welcomed the announcement of the non-binding term sheet reflecting Sony's interest in a strategic alignment with Zee. Indeed, we would welcome any strategic initiative that places Zee's future health at its center.

6. We need more information to properly evaluate a strategic combination between Zee and Sony. However, there are two known items from the announcement that have raised significant concerns.

    a. This non-binding agreement gifts a 2% equity stake to the promoters of Zee in the guise of a "non-compete," even though the current MD & CEO of Zee will continue to run the proposed merged entity for the next five years. This is dilutive to all other shareholders, which we consider unfair. At the very least, we would expect such largess to be contingent on the MD/CEO leaving said position (thus raising the scenario of "non-compete") or be structured in the form of time vesting and performance linked ESOPs, which we as shareholders welcome as a transparent way to reward performance and leadership.

    b. The Zee-Sony announcement casually mentions that the Zee promoter family will have the right to raise their stake from 4% to 20%, without specifying any manner in which this meaningful change will actually happen. Will this change the majority control of Sony in the merged entity? Will it involve open market purchases, warrants, or some other financial instrument? If the latter, will said instruments/warrants to the promoter family be priced so as to advantage them at the cost of ordinary shareholders?

    This lack of clarity around key aspects of the Zee-Sony announcement should concern all shareholders. We will gladly evaluate the transaction in a constructive spirit if and when additional information is made available. However, we have also noted the timing of this announcement and its non-binding nature. As a result, we currently consider it to be no more than camouflage on the part of Zee to divert and distract from the primary issues before the company.

The way ahead.

7. We believe the next steps are straightforward:

    a. The conduct of an EGM is a shareholder right which we expect to exercise.

b. If our proposal meets the favor of other shareholders so as to carry the vote, six new independent Directors will join the board of Zee and Mr. Punit Goenka will be removed from the Board.

c. It will be the duty of this newly constituted board to deliberate on and make determinations on the future leadership of the company. Should the Board so decide, it could appoint an interim CEO from among the exceptional talent available within Zee itself. In parallel, it might approve a formal search for a CEO from within the vibrant Indian media industry, where business leaders within Zee might also place their candidature. We are confident that a truly independent Board, acting in the interest of Zee and all its shareholders, would be best placed to perform this function.

d. The newly constituted board of Zee supported with the strength of independence would also be best suited to evaluate and oversee potential strategic transactions. The new board could appoint an investment bank to evaluate all proposals for strategic alignments that might be probable, including the Sony proposal in its current or any revised format, as Sony might choose to present. We trust that this evaluation will be conducted with a view to maximizing the benefit to Zee as a business and for the sake of all its stakeholders.

e. We wish to clarify the issues on which we will not compromise in connection with any transaction, and where we will continue to make our voice, and our vote, heard. We will firmly oppose any strategic deal structure that unfairly rewards select shareholders, such as the promoter family, at the expense of ordinary shareholders. In all potential alignments, we expect appropriate disclosures regarding the future leadership and governance of the company.

8. For these reasons, we are confident that a well-governed Zee will be fully ready to realize its potential, either with Sony, another strategic partner, or as a standalone company.

9. We wish to place on record our deep disappointment with the functioning of the current Board of Zee. Timely and appropriate action on the part of the independent directors, who serve as fiduciaries to shareholders, would have precluded the situation Zee finds itself in today. To the contrary, events of the last few days have further reinforced our suspicion that the current management and Board of Zee appear unwilling to hear the voice of ordinary shareholders. This is why we intend to stay firm and steadfast on the course we have chosen.

In conclusion, we want you to know that we share the disappointment and frustration of the last few years with all other long-standing shareholders of Zee. Our actions have been and will continue to be directed towards our common interests in the long-term value of Zee.

Sincerely,

Justin M. Leverenz
Chief Investment Officer
Invesco Developing Markets Equities

About Invesco Developing Market Strategy and Our Commitment to India

As of August 31st, 2021, the Invesco Developing Markets strategy held investments totaling USD 7.7 billion (INR 56,200 crores approximately) in India – representing about 15.8% of our total assets under management worldwide. This exposure represents a significant over-weight in favor of India within our global allocation and signifies our continued conviction in the strength and vitality of India's economic future. Further, these investments, including Zee, are almost all long dated and reflect our 15+ year history of investing in India.

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