

HDFC MUTUAL FUND

VOTING POLICY

Background

We, HDFC Asset Management Company Limited, act as an asset management company ("**Investment Manager**") to the schemes of HDFC Mutual Fund ("**Fund**"). As an Investment Manager we have a fiduciary responsibility to act in the best interest of the unit holders of the Fund. This responsibility includes exercising voting rights attached to the securities of the companies in which the schemes of the Fund invest ("**Investee Company**") at the general meetings of the Investee Companies in the best interest of the unit holders. In terms of the Securities and Exchange Board of India ("SEBI") circular no. SEBI/ IMD/ CIR No. 18 / 198647/ 2010 dated March 15, 2010 and clarificatory email received from SEBI on June 23, 2011, we have framed the general voting policy and procedures for exercising the voting rights ("**Voting Policy**"). This Voting Policy shall be applicable to all equity holdings across all our mutual fund schemes.

Philosophy of Voting Policy

The Investment guidelines for the schemes of the Fund *inter-alia* are generally to invest in companies which have acceptable standards of effective management, follow corporate governance norms and have sound fundamentals. Accordingly, as the decision to invest is generally an endorsement of sound management practices of the Investee Companies, the Investment Manager may generally attend and/or vote with the management of the Investee Company on routine matters. However, when the Investment Manager believes that the interest of the shareholders of an Investee Company will be prejudiced by any proposal, then the Investment Manager will attend and/or vote against such proposal.

The fund managers shall review all voting proposals routine as well as non routine items but shall ensure that non routine items like change in the state of incorporation, merger and other corporate restructuring, changes in capital structure, stock options, appointment and removal of directors, etc are identified and voted in the manner designed to maximize the value of the unit holders. Exceptionally, for such matters, the Investment Manager may also decide to abstain from voting where it has insufficient information or there is a conflict of interest or the Investment Manager does not have a clear stance on the proposal.

Although the Investment Manager will generally vote in accordance with the Voting Policy, but may act differently if the relevant facts and circumstances so warrant. Hence, the Investment Manager may deviate from the Voting Policy guidelines when it determines that the deviation is necessary to protect the interests of the unit holders.

Investment Manager is an affiliate of a large, diverse financial services organization with many affiliates, which may lead to situation creating conflicts of interest. Conflicts of interest may arise in certain situations, where:

- The Investee Company is a client of Investment Manager and/or its affiliates;
- In certain cases, wherein any affiliates of the Investment Manager are lender to the Investee Company;
- The Investee Company is a seller whose products or services are important to the business of Investment Manager and/or its affiliates;
- The Investee Company is an entity participating in the distribution of investment products advised or administered by the Investment Manager and/or any of its affiliates.

However, the Investment Manager will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of unit holders.

In cases where investments are in group companies of the Investment Manager or where the Investee Companies have substantial investments in the Schemes of the Fund, the Investment Manager shall specifically review all voting proposals routine as well as non routine and take decisions with respect to voting on such proposals in the best interest of the unit holders. The Investment Manager may also decide to abstain from such voting, if it deems fit to do so in the best interest of the unit holders or if there is a conflict of interest.

Voting Guidelines

Corporate governance issues are diverse and continually evolving. Whilst it is difficult to provide an exhaustive list of such issues, the following guidelines/policies reflect what Investment Manager believes to be good corporate governance measures and the stance it may generally take with respect to the below matters:

i. Corporate Governance Matters. Investment Manager supports resolutions like change in state of incorporation, merger and other corporate restructuring, which are in the interest of the unit holders of the Fund. Investment Manager will analyze various economic and strategic factors in making the final decision on a merger, acquisition or any other corporate restructuring proposals. However, Investment Manager will vote against resolutions pertaining to takeover by an acquirer, etc. which are against the interest of the unit holders. Investment Manager will consider, on a case to case basis, proposals to rotate auditors, and will vote against the ratification of auditors when there is convincing evidence of accounting irregularities or negligence.

ii. Changes to Capital Structure. Changes in capitalization will generally be supported where a reasonable need for the change is demonstrated. Investment Manager will review on a case to case basis, proposals by companies to increase authorized shares and the purpose for the increase. Investment Manager believes that a company's decisions pertaining to financing has a material impact on its shareholders, in particular when they involve the issuance of additional shares or the assumption of additional debt. However changes resulting in excessive dilution of existing shareholder value will not be supported.

iii. Stock option plans and other proposals pertaining to management compensation. The Investment Manager would support such remuneration proposals, which are tied to achieving long-term performance and enhancing shareholder value. Stock option plans that are excessively generous or dilute other shareholders' value will not be supported. .

iv. Social and corporate responsibility. In light of the increasing need for fair disclosures, a growing need for social and corporate responsibility, the Investment Manager's responsibility increases. Investment Manager shall vote in favor of such matters which are believed to have significant socio-economic benefits.

v. Board of Directors. The Investment Manager believes in philosophy of having an independent board of directors as the same is key to complying with good corporate governance norms. Investment Manager would support an independent board of directors, and the key committees such as audit, IPO and remuneration committees etc. to be comprised of independent members.

Review and control

The voting guidelines and the actual exercise of proxy voting will be reviewed periodically by the management of the Investment Manager either through a committee or otherwise. The management will review the proxy voting required as per the voting policy and actual exercise of proxy votes. Further, Management will also review the process of exercise of proxy votes and governance.

Disclosure of Voting Policy and Exercise of Proxy Votes

This Voting Policy is accessible on our website [www.hdfcfund.com] and would also be available in our annual report from the financial year 2010-11 onwards.

Disclosure of exercise of proxy votes in equity holdings across all schemes of the Fund (in the prescribed format) shall be accessible on our website. The same would also be disclosed in the annual report from the financial year 2010-11 onwards.

The above Voting Policy of HDFC Mutual Fund was approved by the Board of Directors of HDFC Trustee Company Limited in their meeting held on June 30, 2010 and subsequently modified in their meeting held on June 27, 2011.