

VOTING POLICY AND PROCEDURES

Introduction

The purpose of this document is to state the voting policy and procedures of HSBC Asset Management (India) Private Limited (“AMIN”), in connection with various company proposals on behalf of all the schemes of HSBC Mutual Fund (“the Fund”).

The power to vote on proposals presented to shareholders is considered by AMIN to be important, recognizing that certain material proposals, if implemented, may have a substantial impact on the market valuation of portfolio stocks. Further, we believe that high standards of corporate governance help companies to deliver sustainable returns to shareholders.

Proxy Voting Policies

a) Corporate governance matters including changes in the state of incorporation, merger and other corporate restructuring and anti-takeover provisions

For all such material proposals, a careful review is undertaken by AMIN’s Investment team wherein the fund manager may be of the opinion that the proposal is not likely to enhance the economic value or cause indeterminate and unnecessary expense to shareholders. Based on the review, AMIN exercises a vote either in favor or against the management’s recommendation.

b) Changes to the capital structure, including preferred stock issuances

Such proposals relate to the approval of change in the capital structure of the company i.e. approval of increase or decrease in the authorized share capital of the company. Shareholders are the principal providers of the capital which companies need to grow and flourish. Companies should focus on the interests of existing shareholders as they contemplate changes to their capital structure. Existing shareholders should have a preemptive right to participate in significant capital increases. AMIN will generally support the proposals where it believes that such proposal will enhance the rights of the common shareholders or will oppose such proposals where it believes that such proposal will adversely affect the rights of the common shareholders.

c) Stock option plans and other management compensation plans

Proposals relating to the stock option plans, performance share plans or other compensation plans are evaluated on case by case basis but AMIN generally votes against such proposals if the plan provides unreasonable or excessive compensation or the management of the company can materially alter the plan without shareholder’s approval.

d) Social and corporate responsibility issues

In case of proposals addressing social and corporate responsibility issues or other similar issues, AMIN will generally vote in a manner which is most likely to protect and promote the economic value of the underlying securities held under the schemes of the Fund. Such issues are evaluated on case by case basis.

e) Board of Directors

AMIN generally supports the management's recommendation with respect to appointment of directors of the company that strengthens the independence of the board of directors. AMIN believes the Board should provide clear leadership and oversight to companies. AMIN favors separation of the roles of Chairman and Chief Executive and companies which comply with the requirements of Clause 49 of the Listing Agreement on corporate governance with respect to composition of Board. Discharge of directors is considered as a routine matter unless there are significant concerns about the conduct of an individual director or the protection of shareholder interests. AMIN believes that Boards should establish committees to consider remuneration and audit issues.

f) Other matters

i) Conflict of interest including investments in Group companies

In the event, a proposal giving rise to a material conflict of interest such as investments in group companies of AMIN or matters pertaining to the investments in the companies that have subscribed to the schemes of HSBC Mutual Fund or any other similar matters, the fund manager will consult AMIN Chief Executive Officer ("CEO") and Local Compliance Officer ("LCO") and, if deemed necessary by the AMIN CEO or LCO, an advise of the Chairman of the Board of Trustees will be obtained with respect to voting.

ii) Board remuneration

AMIN believes that ideally Executive remuneration should be determined by a remuneration committee comprising of majority of non-executive directors and the Chairman of the committee being an independent director. Remuneration should be set at the level required to reward and motivate company management and at the same time, incentives should be linked to challenging performance criteria. Companies should avoid excessive payments to departing directors.

iii) Shareholders Rights

Shareholders need sufficient information to exercise their votes. This should be provided in a timely manner. AMIN may vote against resolutions where insufficient information has been provided to allow an informed vote. Resolutions for shareholder approval should not 'bundle' together separate matters.

iv) Audit and accounts

AMIN will generally support the re-election of external or statutory auditors unless there are concerns about their independence or commitment to protecting shareholder interests. Approval of the annual accounts is normally a routine matter, unless concerns have been raised about the accounts presented. It is sometimes an opportunity to express broader concerns about the company's governance or information available to shareholders.

v) Voting in banking stocks

AMIN will not exercise voting rights in the stocks of the banking companies in India in accordance with the RBI approval letter dated May 23, 2008. However, in case of any changes/amendments to the RBI regulations applicable for foreign banks, the voting policy shall be reviewed and notified to the Board of Directors and Board of Trustees.

vi) Non-contentious matters

AMIN generally supports the management's recommendation for general non-contentious matters such as resolutions relating to the administrative arrangements of a company unless these would be detrimental to the rights of minority shareholders.

Voting Process

AMIN will use the services of the leading voting research & platform provider Institutional Shareholder Services (ISS) to assist with the application of the internal voting policies & guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene the internal guidelines & policies. So essentially, each of the voting recommendations will have HSBC voting guidelines & policies embedded in them.

These recommendations are reviewed by the investment team ahead of the voting deadline. Any amendments to the ISS recommendations will be notified and voted accordingly through the ISS Proxy Exchange platform. In the absence of amendments from investment team personnel, votes will be automatically cast through the Proxy Exchange platform as per the ISS recommendations under the 'implied consent' model, with the consent of the respective Fund Manager / Analyst recorded internally through email. Thus, the voting process incorporates the element of a prior consent from the investment team for each voting proposal. Further, there will also be an option to abstain from voting in case of certain proposals where sufficient information is not provided by the company management or any other similar reasons.

As the above voting process is based on AMIN's internal voting guidelines & policies, it bypasses the need to have any additional internal authorization layer. Also, ISS recommendations are sent to the investments team before the voting deadline and amendments (if any) are notified and voted through the Proxy Exchange platform, after due approvals from the Head of Equities or the Chief Investment Officer (CIO).

Administration and Record Keeping

Record of actual exercise of votes in the meeting i.e. For/Against/Abstain on the management's proposals along with the fund manager's recommendation, will be maintained by the AMIN's Operations department, with the output retrieved from the Proxy Exchange platform or those provided by ISS. The details of the votes in the prescribed format will be disclosed periodically in accordance with the requirements of SEBI (Mutual Fund) Regulations and guidelines issued from time to time.