

POLICY ON STEWARDSHIP RESPONSIBILITIES

1. Introduction

HSBC Mutual Fund (“the Fund”) is a mutual fund registered with SEBI under SEBI (Mutual Funds) Regulations, 1996, vide registration number MF/046/02/5 dated May 27, 2002. HSBC Asset Management (India) Private Limited (“AMIN”) is acting as the Investment Manager to the Fund. AMIN manages the schemes of the Fund as per provisions of the respective Scheme Information Documents, provisions of the Investment Management Agreement, the Trust Deed and the SEBI (Mutual Funds) Regulations, 1996.

SEBI vide its circular dated December 24, 2019 has noted that the institutional investors are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and engagement with their investee companies (such activities are commonly referred to as ‘Stewardship Responsibilities’) and prescribed stewardship principles to be adopted by the mutual funds. Mutual Funds are required to formulate a comprehensive policy on the discharge of its stewardship responsibilities in relation to its investment in listed equities. Accordingly, AMIN has framed this Policy on Stewardship Responsibilities, which shall be effective from July 01, 2020¹.

2. Stewardship Responsibilities

Stewardship responsibilities are regarded as integral to AMIN’s long-term approach to investment. AMIN’s investment team exercises close oversight of companies held, meeting them regularly to monitor performance as well as undertaking voting and engagement.

We believe that environmental, social & governance (ESG) factors can impact the sustainability of companies’ financial returns. We integrate ESG in our investment process by considering these factors alongside others. We recognize a fiduciary responsibility for the stewardship oversight of companies and other issuers whose securities we hold on behalf of our clients.

Engagement with investee companies is an important element in both our ESG integration and our stewardship oversight. Regular meetings with management often cover performance, strategy – includes ESG factors where relevant and capital structure. Governance and remuneration issues are more typically raised in the engagement around voting. Companies are reviewed in regular investment team meetings, with the investment case and any concerns re-assessed continually.

Stewardship responsibilities include monitoring and actively engaging with investee companies (i.e. listed equities where schemes have made investments) on various matters including performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc.

AMIN shall:

- a) take into consideration, the corporate governance practices, material ESG opportunities or risks of investee companies, when taking investment/ disinvestment decisions;

¹ SEBI vide its circular dated March 30, 2020 has extended the date of implementation from April 01, 2020 to July 1, 2020

- b) enhance investors value through productive engagement with investee companies; and
- c) vote and engage with investee companies on matters including environmental, social and governance principles in a manner which is in the best interests of the investors.

AMIN shall discharge its stewardship responsibilities through discussions with company management and / or board members, voting in shareholders meetings, etc.

However, it may be noted that the compliance with the stewardship responsibilities and principles, as stated in this Policy, does not constitute that AMIN can manage the affairs of an investee company or preclude a decision of AMIN to sell a holding when it is in the best interest of the investors.

The discharging of stewardship responsibilities are important for AMIN and hence the employees involved in discharging the stewardship responsibilities will be provided training on this policy. The scope, format and periodicity of such training will be decided in due course.

3. Managing Conflict of Interest

AMIN's primary responsibility as an investment manager is to try to add value over the long term. Potential conflicts of interest AMIN may face are addressed by the over-riding principle that investors' interests are put first.

A conflict of interest exists where the interests or benefits of AMIN conflict with the interests or benefits of the investors of the Fund. The Investment team of AMIN shall take all reasonable steps to avoid actual or potential conflict of interest situations. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, the same shall be escalated to AMIN Chief Investment Officer ("CIO") and Local Compliance Officer ("LCO") and, if deemed necessary by the AMIN CIO or LCO, an advise of AMIN Chief Executive Officer will be obtained. Further, conflicts will be escalated to AMIN Risk Management Meeting if deemed necessary by AMIN CEO.

While dealing with investee companies, AMIN may be faced with a conflict of interest

- a) investee company may be part of the HSBC Group or an associate of AMIN; or
- b) the investee company is a client of the AMIN; or
- c) the investee company is a distributor for the AMIN;

Investment team of AMIN will manage conflict of interest by:-

1. avoid conflict of interest wherever possible;
2. blanket ban on investments where considered necessary;
3. having appropriate escalation mechanism;
4. Client relation/ sales function in AMIN is separate from investment team, who is responsible for engagement and voting in investee companies;
5. Members of investment team will recuse from decision making in case of persons having any actual or potential conflict of interest in transaction;
6. Maintaining of records and documenting decisions taken to address conflict of interest situations; or
7. In all conflict of interest situations, the voting decisions will be based on the best interest of investors of the Fund.

4. Monitoring of Investee Companies

AMIN monitors all investee companies through its investment process. This includes assessment of companies' own and market data, consideration of research from brokers and other independent research providers – including ESG & voting research, attending individual & group meetings with company management and directors, visiting production sites, talking to competitors and customers, and own financial modelling. Whilst as investors AMIN can never know all that is happening inside an investee company and/or receive price sensitive information, AMIN's investment process focuses on the company performance, understanding the drivers of value and risk, strengths and weaknesses of corporate leadership and the quality of companies' reporting, among other factors.

Areas of monitoring shall include but not limited to; investee company's strategy and performance - operational, financial etc., industry-level monitoring and possible impact on the investee companies, quality of company management, board, leadership etc., corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc., risks, including ESG risks and shareholder rights, their grievances etc.

Where concerns arise, AMIN seeks meetings with the investee company; with management in the first instance but where the response has not been satisfactory or where management might be part of the problem, the investment team may endeavor to engage with the Chairman and / or independent directors.

AMIN normally do not wish to be made insiders. But, if it is made insider to any material price sensitive information the procedures related to ensuring compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 shall be complied with in all such cases.

5. Active Engagement with the Investee Company

- a) AMIN shall consider actively engaging with the investee company in the acts/omissions of the company concerned, in which it has invested more than 3% of the NAV of respective schemes as at the end of the immediately preceding quarter or 1% of overall equity AUM (across all schemes) as at the end of the immediately preceding quarter, whichever is lower;
- b) AMIN shall actively engage if, in its opinion any act/omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.
- c) AMIN's will undertake active engagement / escalation policy as under:
 - (i) AMIN shall take all reasonable steps to engage with the management of investee companies to resolve any concerns, including steps to be taken to mitigate such concerns;
 - (ii) In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised within a reasonable timeframe, AMIN shall take all reasonable steps once again to engage with the management to resolve the concerns;

- (iii) In case there is no progress despite the first two steps, AMIN may engage with the board of the investee company (through a formal written communication) and elaborate on the concerns. Further, AMIN may take appropriate steps to resolve the concerns, including exiting its investments.
- d) AMIN shall consider to be part of collective engagement with other institutional shareholders on a general basis and in particular, when it believes a collective engagement may lead to a higher quality and/or a better response from the investee company. AMIN may approach, or may be approached by, other institutional shareholders (or through industry association, AMFI) to provide a joint representation to the investee companies to address specific concerns. AMIN shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as acting as a 'person acting in concert' with other shareholders.

6. Voting and Disclosure of voting activity

AMIN aims to vote on all shareholder resolutions of investee companies. AMIN has a clear and detailed voting guidelines which provide the framework for the voting decisions. All voting decisions shall be in accordance with AMIN's Voting Policy and Procedures, which is available on the website of AMIN. AMIN's Voting Policy and Procedures are based on requirements or guidelines under SEBI Circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010 and SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014.

In accordance with SEBI Circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010 and SEBI Circular no. CIR/IMD/DF/05/2014 dated March 24, 2014 (as amended from time to time):-

- a) AMIN shall disclose the details of the voting on its website on a quarterly basis within 10 working days from the end of the quarter in the format prescribed under the above stated SEBI circulars. Additionally, AMIN shall disclose the details of the votes cast in the annual report of the schemes of HSBC Mutual Fund;
- b) On an annual basis, AMIN shall obtain Auditor's certification on the disclosure of voting reports and such auditor's certification shall be submitted to trustees of HSBC Mutual Fund and also disclosed in the relevant portion of the Mutual Funds' annual report & website.

7. Reporting of Stewardship Activities

AMIN shall report to the investors periodically on how it has fulfilled its stewardship responsibilities as per this Policy, in the following manner:-

- (a) AMIN shall disclose the details of the voting on its website on a quarterly basis and shall also disclose the details of the votes cast in the annual report of the schemes of HSBC Mutual Fund;
- (b) A report on other stewardship responsibilities shall be sent to the investors on an annual basis or alternatively the same may be hosted on the website of AMIN.

Version control

Owned by	:	Head of Equities
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Version	Version 1.0
Approved by Board of Directors of AMIN	February 19, 2020
Approved by Board of Trustees	February 20, 2020
Effective from	July 01, 2020