HDFC ASSET MANAGEMENT COMPANY LIMITED

ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY FRAMEWORK

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HDFC ASSET MANAGEMENT COMPANY LIMITED

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Introduction

At HDFC Group, we hold steadfast to the core values of ethics, good governance and professional excellence. These values are not just principles; they are ingrained in the very fabric of our organization's culture. Our overarching vision, 'To be the most respected asset manager in the world', is a direct reflection of our cultural ethos.

We are committed to actively incorporating the principles of Environmental, Social and Governance (ESG) into our strategic decision-making processes. This commitment is a significant stride towards realizing our vision and underscores our dedication to responsible and sustainable business practices.

Our mission, 'To be the wealth creator for every Indian', is not just a business objective, but a pledge to promote societal well-being. We firmly believe that fostering financial inclusion is instrumental in creating a happier and more prosperous society.

Our Vision:

To be the most respected asset manager in the world

Our Mission:

To be the wealth creator for every Indian

Our ESG Mission:

To create sustainable wealth for every stakeholder by focusing on 3Ps - People, Planet and Prosperity

ESG Governance Mechanism

HDFC AMC's Environmental, Social & Governance and Corporate Social Responsibility (ESG & CSR) Committee of the Board drives the development & implementation of the ESG framework. The ESG Task Committee, comprising representatives from diverse departments, integrates qualitative and quantitative aspects of the ESG work into the organization's culture and core business processes.

Major roles and responsibilities of ESG & CSR Committee with respect to ESG are outlined below:

- Overseeing the development and implementation of the Company's ESG framework.
- Overseeing compliance with applicable ESG regulatory requirements and other disclosures.
- Strengthening ESG disclosures and embracing best practices to showcase the Company's ESG commitment to stakeholders.
- Enhancing responsible investment practices by focusing on integrating pertinent ESG aspects into investment decision-making processes along with upholding our stewardship responsibilities.
- Executing any other roles and responsibilities as mandated by the Board from time to time and/or enforced by any statutory authority, including any modification or amendment as may be applicable.

The ESG Task Committee's (the management level committee) major duties and responsibilities include:

- Developing and implementing the Company's ESG framework.
- Ensuring compliance with ESG regulatory requirements and disclosures.
- Reviewing ESG performance across all functions.
- Improving ESG disclosures / practices.

- Reviewing and communicating ESG performance, including key initiatives, through periodic reporting to internal and external stakeholders, including the ESG & CSR Committee.

For embedding ESG values and sustainability deep in the Company's business processes, we seek to adopt ESG targets that adhere to statutory requirements and that simultaneously are pertinent, realistic and are core to our business.

ESG Integration in Investments

As an asset management company, we have a fiduciary duty to prioritize the interests of investors and the broader community. Each investee company, like every corporate citizen, has a role to play in advancing sustainable development. We endeavor to promote sustainable ESG practices in the investee companies to create a larger sustainability impact.

In line with this philosophy and as required by Securities and Exchange Board of India (SEBI), we have adopted stewardship code. The Stewardship code provides guiding principles for monitoring of equity investments and engagement with the investee companies. We strive to vote in an informed and pragmatic manner as per our voting policy, as we consider voting to be an important shareholder right and a valuable tool for shaping sustainable practices. The Company has Responsible Investment Policy that integrates ESG considerations into investment decision-making process.

The Company is a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI) and Climate Action 100+. We are committed to align our investment approach with the guidelines set forth by UNPRI, whilst safeguarding the interests of our unitholders. We have also adopted the globally recognized CFA Institute Asset Manager Code.

Principles of UNPRI

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Climate Action 100+

- Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change in order to mitigate financial risk and to maximize the long-term value of assets.
- Climate Action 100+ has established a common high-level agenda for company engagement to achieve clear commitments to cut emissions, improve governance and strengthen both climate-related financial disclosures and transition plans.

Principles of CFA Institute Asset Manager Code

- Act in a professional and ethical manner at all times.
- Act for the benefit of clients.
- Act with independence and objectivity.
- Act with skill, competence, and diligence.
- Communicate with clients in a timely and accurate manner.
- Uphold the applicable rules governing capital markets.

ESG Integration in Operations

Environment

- We firmly believe that the preservation and safeguarding of the environment are indispensable for both economic progress and the well-being of society. In alignment with this fundamental philosophy, we are dedicated to integrating sustainability into our business operations. While financial service businesses typically have a relatively limited environmental footprint, our commitment is to actively mitigate any adverse impacts on the environment.

- As a responsible corporate citizen, we are committed to reducing our carbon footprint. We measure and disclose our Greenhouse Gas (GHG) emissions across Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased energy) and Scope 3 (other indirect emissions), with external verification conducted for Scope 1 and Scope 2 emissions in accordance with regulatory requirements.

- We have steadfastly invested in technology to build a robust digital ecosystem that reduces reliance on paper-based transactions and communications. We strive to optimize paper use across our offices to reduce wastage.

- We are mindful of the pressing need to conserve energy. As part of our commitment to this cause, we have implemented various energy-saving measures, including but not limited to the installation of energy-efficient equipment in our offices.

- We are committed towards responsible disposal of waste materials. Electronic waste generated by the Company will continue to be disposed of through authorized vendors in an environmentally friendly manner.

- Given nature of our business, our water needs are primarily directed towards human consumption. We are conscious of water usage and we endeavour to reduce our overall water usage through water saving practices. The Company has implemented water-saving initiatives such as a Sewage Treatment Plant (STP) and sensor-based taps at its head office, along with aerator taps across most offices.

- Our Company's sustainability initiative, ***NurtureNature***, ties investor actions to positive environmental impact.

Social

a) Our People

Diversity, Equity and Inclusion (DEI)

- As an equal opportunity employer, we focus on hiring and nurturing the right talent, based on merit, with a simultaneous emphasis on fostering diversity across the organization.

- We are committed to maintaining a safe, inclusive and harmonious business environment and workplace where every individual is respected, regardless of their ethnicity, region, sexual orientation, race, caste, gender, disability, work, designation or other similar characteristics. We have a firm and clear stance against any form of discrimination, and are committed to upholding principles of diversity, equity and inclusion across the organization.

- We actively promote fair compensation, foster career advancement and advocate for equitable treatment of all our employees.

Employee Health, Well-being and Safety

- We prioritize the physical, mental and emotional wellbeing of our employees by promoting a safe, supportive and healthy work environment.

- We are committed to maintaining a safe, secure and respectful workplace for our employees by promoting safe work practices, conducting regular risk assessments, and ensuring an environment free from discrimination, harassment or bias.

- We promote holistic wellbeing by providing access to wellness resources and preventive healthcare initiatives.

- The Company is committed to upholding the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, in both letter and spirit, as part of its dedication to nurturing a safe and respectful workplace.

- The Company creates awareness and sensitizes employees on sexual harassment to reinforce a culture of dignity, equality and respect.

- The Company provides multiple accessible mechanisms for employees to raise concerns without fear of retaliation and ensure that every complaint is addressed promptly, fairly and sensitively.

Training and Development

- The Company promotes a culture of continuous learning, ensuring employees have opportunities to enhance their skills and remain aligned with changing business and industry requirements.

- The Company believes that investment in training and development is integral to employee welfare and directly supports the delivery of high-quality service to partners and customers.

- The Company provides training on Environmental, Social, and Governance (ESG) parameters and ensures these principles are embedded across employee learning programs to promote sustainable and responsible business practices.

- Employees are empowered to own their professional growth, with the Company ensuring access to resources, programs, and support for continuous development.

Human Rights

- The Company is committed to upholding and promoting fundamental human rights in all aspects of its operations.

- We have a well-defined Human Rights statement that reflects our commitment to ethical conduct, respect for individual dignity, equal opportunity for all individuals and compliance with applicable laws.

b) Our Customers – Investors & Partners

- At HDFC AMC, delivering exceptional service to customers is our foremost priority. We've redefined our approach, moving from a customer service model to a customer delight philosophy and our commitment to prioritizing our customers' interests remains unchanged. This dedication not only resonates with our core beliefs but also reinforces our profound appreciation for the trust our customers place in us, encapsulated by our tagline: ***Bharosa Apno Ka.***

- We offer a comprehensive suite of saving and investment options to our customers. Our offerings are based on building long-term relationships – the guiding philosophy is our mission of being the wealth creator for every Indian. Our commitment is to empower customers with clear and transparent information to make informed decisions about products and services.

- We will continue to broaden the accessibility of our products and solutions by leveraging digital platforms, expanding physical outreach and streamlining internal processes to ensure faster service and reduced turnaround times for our customers.

- We are committed to safeguarding the privacy of our customers' data and in line with regulatory requirements we have created processes and systems to ensure protection of data.

- We actively monitor Voice of the Customer and the Voice of Distribution Partners through periodic Customer Satisfaction (CSAT) and Distributor Satisfaction (DSAT) surveys. These surveys capture valuable feedback on processes, transaction experiences and service interactions across touchpoints. Insights gathered from customers and distribution partners help us continuously enhance our service delivery and stay aligned with their evolving needs.

- We have put in place a Customer Query & Grievance Redressal policy and have implemented processes and technology to effectively support and enhance this function.

- We regularly conduct investor education and awareness initiatives. These programs are designed to educate and inform investors about their rights, for making informed investment choices including effective financial planning. These initiatives align with the regulatory requirements.

- We firmly believe in the ongoing nature of learning and aim to empower our stakeholders through knowledge-sharing. HDFC LEAP, our proprietary learning and development enterprise prioritizes the education and training for our distribution partners.

c) Community Development

- We are committed to support meaningful socioeconomic development by enabling broader participation in the nation's economic progress. We recognize our responsibility to create a positive impact in communities, which we pursue through a blend of investor education initiatives and corporate social responsibility activities.

- We are committed to spreading financial literacy, reaching all segments of society and especially those at the bottom of the pyramid. Our financial literacy programs are aimed at inculcating a financial saving mindset and encouraging Indians to build long-term wealth through mutual fund investments.

- Our strong distribution network enables us to provide local employment opportunities and business opportunities for local vendors.

- CSR is an integral component of our corporate culture and core values. Our CSR endeavors are closely aligned with the pursuit of sustainable development within society. The Company has directed its CSR initiatives toward healthcare, education & social welfare, sports, as well as environmental protection & sustainability.

- We will encourage employees to contribute towards social good by participating in volunteering initiatives.

d) Value Chain Partnerships and Responsible Procurements

- We are committed to acquiring products that are environmentally conscious, energy-efficient, ethically and locally sourced, along with focus on supporting marginalized and vulnerable groups.

- We expect suppliers and vendors to comply with applicable laws and regulations in their respective regions of operation, including adherence to laws prohibiting child, forced, or trafficked labour.

Governance

- Ethics serves as the cornerstone of our corporate ethos, guiding our corporate governance philosophy. Our commitment to governance encompasses not only workplace ethics, disclosures and regulatory compliance but also extends to our environmental and societal responsibilities.

- Our corporate governance framework complies with the Companies Act, 2013 (including the rules made thereunder), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other applicable laws.

- Our corporate governance framework is supported by a comprehensive suite of policies, codes and procedures, overseen and implemented by the Board and its sub-committees. Among these are, the board diversity policy, code of conduct for directors and senior management personnel, code of conduct & ethics for employees, whistle-blower policy, AMC share dealing code and code of practices and procedures for fair disclosure of unpublished price sensitive information, the asset manager code, anti-money laundering policy, anti-bribery & anti-corruption policy, human rights statement and policy on related party transactions, each contributing to a strong culture of accountability and ethical conduct.

- The Company has integrated ESG principles into its business practices through a structured governance framework, with oversight responsibilities distributed across the Board and its various committees:

  i) Board of Directors – Provides strategic oversight of the Company's corporate governance framework
  ii) Audit Committee- Oversees the Company's financial reporting process and disclosure of correct, sufficient and credible financial information
  iii) ESG & CSR Committee - Responsible for the development and implementation of ESG & CSR framework
  iv) Risk Management Committee- Oversees the risk management system/framework of the Company
  v) Nomination and Remuneration Committee - Identifies and recommends appointments of Directors & other senior management personnel and ensures board diversity & employee engagement and fair remuneration practices

vi) Stakeholders Relationship and Unit holder Protection Committee- Safeguards the interests of unit holders in relation to products and services offered by the Company

Disclosures and Stakeholder Engagement

- We are committed to enhancing ESG disclosures through a combination of statutory and voluntary reporting.

- In compliance with regulatory requirements prescribed by the SEBI, the Company engages an independent third-party assurance provider to conduct reasonable assurance of its BRSR Core disclosures. This reinforces the credibility, transparency and integrity of the disclosed information.

- We believe that sustainable long-term value is achieved through active collaboration with all our stakeholders. We are committed to maintain an enduring relationship with all our key stakeholders, viz. customers, shareholders, distributors, employees, suppliers, regulators, industry bodies and community, among others. We will continue to have ongoing interactions with our stakeholders to understand their expectations.

Policy Review

This policy will be reviewed at least once every two years and is subject to revision in response to regulatory changes, emerging risks and opportunities, or as deemed necessary.