

HDFC ASSET MANAGEMENT COMPANY LIMITED

Responsible Investment Policy

Policy Version Matrix	
Title	Responsible Investment Policy (“Policy”)
Policy Owner	Fund Management and Dealing Team, except as mentioned otherwise
Policy Administrator	Investment Risk Management
Policy Adherence by	Fund Management and Dealing Team
Release Date	June 24, 2024
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Version Number	3.0
Reviewed and Recommended By	Investment Committee of the relevant business verticals
Approved By	Board of Directors of HDFC Asset Management Company Limited and/or Board of Directors of HDFC Trustee Company Limited, as applicable
Propriety	This document is the sole property of HDFC Asset Management Company Limited. Any use or duplication of this document without express permission of Management is strictly forbidden and illegal.
Periodic Review	This Policy will be reviewed at least once in a Financial Year and as and when required.

HDFC Asset Management Company Limited (hereafter referred as “the Company” or “We” or “Us”) is one of the leading asset management companies in India. The Company has a vision to be the most respected asset manager in the world and is committed to the Environmental, Social, Governance (“ESG”) values to create sustainable wealth for every stakeholder by focusing on three P's - People, Planet & Prosperity along with an overall mission of being a wealth creator for every Indian.

i. Scope of Policy:

This Responsible Investment Policy (“Policy”) sets forth the responsible investment objectives, strategy, governance and reporting of the Company. This policy is applicable to the investments made by the Company on behalf of the unitholders in the following asset classes:

- i. Equity and Equity related Securities
- ii. Fixed Income Securities
- iii. ReIT and InvIT

This Policy is applicable to the following business lines of HDFC Asset Management Company namely:

- I. Mutual Funds including SIF
- II. PMS
- III. AIFs

The purpose of the Policy is to articulate our approach to integrate ESG within the investment process.

ii. Objective:

As an asset management company, we have a fiduciary duty to prioritize the interests of investors and the larger community. This duty is best fulfilled by focusing on long-term returns and managing risks, rather than solely seeking to maximize short-term profits.

HDFC AMC understands the significance of managing ESG risk and opportunities for long-term sustainable business. The Company is committed to include Environmental, Social and Governance (ESG) factors in investment decision making and has also become a signatory to the internationally recognized and United Nations supported Principles for Responsible Investment (UN-PRI) and Climate Action 100+. The Company has also adopted the Asset Manager Code of Professional Conduct of the globally recognized CFA Institute.

iii. **Responsible Investment Strategy:**

Fundamental analysis is the foundation of investment decisions taken by the Company. It is firmly believed that companies with better ESG practices, can create a distinct competitive advantage to deliver sustainable value for all its stakeholders. A specific ESG note is attached to all research reports highlighting ESG related risks and opportunities as a part of the investment research process

a) ESG Integration in Investment:

HDFC AMC has formulated and implemented an ESG evaluation procedure where investments are assessed on their ESG related risks along with the financial & business performance. There is a dedicated ESG Analyst to oversee its responsible investing process.

HDFC AMC has developed a proprietary ESG Framework dedicated to the evaluation of its portfolio companies on the basis of ESG risks and performance. This framework is constructed based upon a qualitative model that considers material issues pertinent to each sector. ESG score for each company is quantified on a scale of 0 to 100. Additionally, a comparative benchmarking across various sectors is carried out to highlight the respective ESG risks.

Multiple key relevant ESG parameters shall be considered, factoring in sectoral nuances as well as company-specific considerations. The Company shall endeavor to monitor and evaluate Environment, Social and Governance risk of a Company based on the various relevant parameters which may *inter alia* include:

Environment	Social	Governance
<p>Energy Consumption & Alternate Energy Sources: Review of energy usage, efficiency measures, and adoption of renewable or alternative energy sources within business operations.</p>	<p>Employee Well-being & Safety: Assessment of occupational health and safety standards, employee welfare initiatives, and measures to promote physical and mental well-being.</p>	<p>Board Independence & Composition: Evaluation of board structure, independence, diversity, and adequacy of skills and experience to oversee the Company effectively.</p>
<p>Greenhouse Gas (GHG) Emissions: Assessment of the Company's direct and indirect greenhouse gas emissions and its strategies to measure, disclose, and progressively reduce its carbon footprint.</p>	<p>Workforce Stability, Diversity & Inclusion: Assessment of employee attrition trends, engagement levels, fairness in remuneration across genders and roles, and effectiveness of talent development and retention strategies. Review of gender diversity across the workforce and leadership, along with policies and initiatives promoting equal opportunity and inclusive workplace practices</p>	<p>Management Remuneration: Assessment of executive compensation frameworks, including alignment with long-term performance, shareholder interests, and ESG outcomes.</p>
<p>Physical and Transition Climate Risk: Assessment of risks arising from climate change impacts such as extreme weather events, as well as transition risks related to regulation, technology, and market shifts.</p>	<p>Customer Engagement & Complaints: Evaluation of customer satisfaction levels, grievance redressal mechanisms, and responsiveness to customer complaints and feedback.</p>	<p>Related Party Transactions: Review of transparency, fairness, and regulatory compliance in transactions with related parties.</p>
<p>Water Stewardship Management: Evaluation of water usage, sourcing, recycling practices, and initiatives aimed at sustainable water management and mitigation of water scarcity risks.</p>	<p>Supply Chain Risks: Assessment of ESG risks within the supply chain, including labour practices, environmental compliance, and supplier due diligence processes.</p>	<p>Whistleblowing, Legal & Regulatory Conduct: Assessment of the effectiveness of whistleblower mechanisms, reporting processes, and protections against retaliation for reporting misconduct. Evaluation of material fines, penalties, regulatory actions, controversies, and the adequacy of corrective and preventive actions taken by the Company.</p>

<p>Waste Management Practices: Assessment of waste reduction, recycling, hazardous waste handling, and compliance with environmental waste management regulations.</p>	<p>Local Community Engagement & Protests: Review of community relations, stakeholder engagement practices, and management of social conflicts, grievances, or protests.</p>	<p>CSR Projects & Impact Assessment: Evaluation of corporate social responsibility initiatives, their alignment with societal needs, and assessment of measurable social impact.</p>
<p>Pollution Control: Review of systems and policies to prevent, monitor, and mitigate air, water, and soil pollution resulting from business activities.</p>	<p>Data Privacy & Data Security: Assessment of data protection policies, cybersecurity controls, and compliance with applicable data privacy and information security regulations.</p>	<p>Corporate Risk Management Framework: Evaluation of the Company's enterprise risk management framework, including identification, monitoring, and mitigation of ESG-related risks.</p>
<p>Nature & Biodiversity: Assessment of the company's impact on natural capital, ecosystems, land use, and biodiversity risks such as deforestation and habitat loss, and measures undertaken to protect ecosystems and natural habitats.</p>	<p>Human Rights: Assessment of the Company's commitment to human rights, including prevention of child and forced labour, non-discrimination, and respect for human rights across operations and supply chains.</p>	<p>Business Transparency & Minority Shareholder Rights: Assessment of disclosure quality, business transparency, and fair treatment of minority shareholders</p>

Information on the above parameters may be collected from primary as well as secondary sources. These include management interactions, plant visits, annual reports, business responsibility and sustainability reports (BRSR), sustainability reports, CDP reports, TCFD reports, research materials published by sell-side, proxy voting reports, ESG rating agencies, corporate engagements, NGO Publications, pollution control board data, continuous engagement with vendors/suppliers/employees, other online information, etc.

In the case of Fixed Income Investments, the analyst may utilize available resources to gather information of issuers and securities on relevant ESG related aspects that can have a material impact on credit risk and yields.

b) External ESG Service Providers:

The Company may also engage SEBI registered third-party ESG rating providers who provide ESG assessment of companies. These third-party ESG assessments would assist in peer comparison as well as periodical performance tracking.

For AIF investments, the company may also engage with third party ESG consultants for ESG due diligence on investee companies.

c) Stewardship/Engagement:

As active managers, HDFC AMC is committed to exercising its role as the steward of capital in accordance with applicable laws and has adopted the Stewardship Code, in line with regulatory guidance. The Company has a stewardship committee to ensure that there is an effective oversight of all stewardship activities. The principles espoused in the Stewardship Code govern aspects of fund management activities like: monitoring of investee portfolio companies; its engagement with investee companies; voting on resolutions of the investee companies; and the disclosures of proxy voting.

Based on meaningful threshold investment, the investment team of the relevant business activity shall monitor and actively engage with the investee companies on various topics such as executive compensation, dividend distribution policies, capital allocation, related party transactions, ESG strategy & implementation, long term ESG targets, ESG integration in risk management, etc. The aim of engagement is not only to improve ESG integration to limit risks, but also improve the impact of the organization's business on environment and society at large.

The investment team of the relevant business activity may also engage with the management teams of investee companies on periodic or need basis and prioritize our engagement based on the size of our investment and the exposure in the investee company. The investment team of the relevant business activity may give companies reasonable timeframe to the investee company to enhance its ESG practices; and if requisite improvement is not observed then analyst may consider divesting.

The investment team of the relevant business activity may also write to the board of directors of the investee company to escalate concerns in case of any wrongdoings of its management.

The investment team of the relevant business activity may plan its engagements suitably to ensure maximum effectiveness depending on the nature and type of investment.

d) Voting

HDFC AMC considers shareholder voting as an important shareholder right and a valuable tool in the engagement process. It shall endeavor to vote on all resolutions of investee companies, which are critical for protecting and enhancing the interests of investors.

The Company has a Voting Policy with guidelines to ensure that they vote in the best interest of their clients. These voting guidelines are designed with an intent to promote accountability of the management and Board of Directors of the investee companies towards its shareholders and to encourage investee companies to adopt best corporate governance practices. The Company may vote against shareholder resolutions if they affect the interests of minority shareholders. The details of resolutions voted as a part of proxy voting are uploaded on our website on a quarterly basis.

The Company may also engage proxy voting advisory services from reputed external service providers to help analyze the resolutions, proxy materials and statements of the investee company.

iv. **Exclusions:** The Company does not have a fund house level list of sectoral exclusions.

v. **ESG Governance & Resources:**

The Company has an ESG oversight group at a fund house level which comprises of the Chief Investment Officers/Head - Equity and Fixed Income, the ESG Analyst, the Chief Risk Officer along with the Managing Director & Chief Executive Officer.

There company also has an ESG committee for AIFs where Fund Managers, ESG Analyst, Chief Risk Officer are members to the committee.

The ESG Oversight group and ESG Committee shall meet at-least once a year or as and when required to review and provide guidance to the investment team of the relevant business activity on various aspects of ESG integration and engagement with investee companies including the responsible investing process.

The investment team of the relevant business activity is responsible for monitoring/evaluating the companies on various ESG parameters.

The Company shall take cognizance of the changing regulatory requirements and ensure appropriate actions to guide the investment process, engagement, voting and performance monitoring of the investee companies.

vi. **Reporting and Disclosures:**

The Company is committed to maintaining transparency by keeping our stakeholders updated on our responsible investment initiatives through our reports/disclosures as may be required under applicable laws.

Stewardship code and Voting policy are available on the website:
<https://www.hdfcfund.com/statutory-disclosure>