



Principal Pnb Asset Management Company Pvt. Ltd

Voting Policy

Proxy Voting Policy of Principal Mutual Fund

Principal Pnb Asset Management Company Pvt. Ltd (AMC) - the Investment Manager to Principal Mutual Fund (PMF) has put in place a Proxy Voting Policy.

The objectives underlying casting a vote by proxy are:-

1. To favour such proposals that tend to maximize a Company's shareholders' value; and
2. To ensure that the decision taken to cast a vote is not influenced by conflict of interest

The aforesaid objectives would help to create a framework within which a Company can be managed in the best interests of its shareholders. This in turn would help generate better returns for its unit holders under the various PMF Schemes. The said objectives may not direct a particular voting outcome, but instead help identify factors which should be considered in determining how the vote should be cast.

The principles and positions reflected in AMC's Proxy Voting Policy are designed to guide AMC in voting proxies, and not necessarily in making investment decisions. The Investment Team basis their determinations of whether to invest in a particular company on a variety of factors, and while corporate governance may be one such factor, it may not be the only primary consideration.

In order to discharge its obligations under this policy, the AMC accesses and utilizes research on management performance and corporate governance issues, drawn inter alia from its in house research team. As per the proxy voting guidelines, AMC would support resolutions that promote the functioning of boards in best interests of shareholders. Specific decision on a particular resolution i.e to support, oppose or abstain from voting, shall be taken on a case-to-case basis placing focus on the potential impact of the vote on shareholder value and interests of the unitholders of the Schemes at large. The AMC reserves the right to vote against any resolution that goes against the interest of its unit holders. AMC may also at its discretion choose to abstain from participating in any resolution and hold a neutral stance, should the concerning issue be of no major relevance for the shareholder value and/or unitholder interest. The ultimate decision as to the manner in which PMF's proxies will be voted rests with AMC, keeping in view at all points of time the best interest of unitholders of the schemes of PMF.

In line with the above objectives, the responsibility of casting proxy votes vests with the Chief Investment Officer (CIO). The CIO may base his decision on the recommendation of the Fund Manager to the concerning Scheme. Where a decision on a resolution is reached a suitable delegation shall be organized by the AMC in favour of any identified authorized AMC official or in favour of an authorized representative from within the Custodian.

When considering investments in Group Companies / Company(ies) that have subscribed to the Units of the Schemes of PMF, the AMC inter alia ensures that (a) investments in such companies are line with the Scheme specified Investment Objective/ Asset allocation and the Investment Policy in place; (b) such transactions are for pure commercial consideration; after having evaluated the same on merits; (c) such transactions are at arm's length with no consideration of any existing / consequent investments by an Investor/group of investors.

Further, when deciding on a stance (to vote for or against or abstain) vis-à-vis a proposal preferred by any such issuer being either a Group Company/Company that has subscribed to the Units of the Schemes of PMF, the concerning Fund Manager/CIO shall additionally confirm that no special consideration has been accorded vis-à-vis such proposals/issuers

and that the decision on the concerning proposals have been arrived at in line with the process specified in above clauses.

An update on instances, where a representation by Proxy has been recommended and where necessary delegations/instructions have been issued, along with the details of mandate given to such delegate; shall be placed at the following Investment Committee Meetings for due review and noting of the Investment Committee members.

As per the requirement of the SEBI Circular dated March 15, 2010, this general policy and procedure for exercising voting rights in respect of shares held by the AMC is disclosed on www.principalindia.com. The same shall also be suitably set forth in the annual report distributed to the unitholders from the Financial Year 2010-11 onwards.

Further as prescribed in the referred Circular; disclosure shall be made on www.principalindia.com as well in the Annual Report distributed to the unitholders from the Financial Year 2010-11 onwards, to indicate the actual exercise of the proxy votes in the AGMs/EGMs of the investee companies in respect of the following matters:-

- a. Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions;
- b. Changes to capital structure, including increases and decreases of capital and preferred stock issuances;
- c. Stock option plans and other management compensation issues;
- d. Social and corporate responsibility issues;
- e. Appointment and Removal of Directors; and
- f. Any other issue that may affect the interest of the shareholders in general and interest of the unit-holders in particular.