



Franklin Templeton Asset Management (India) Private Limited

General Voting Policies and Procedures

SEBI Requirement:

SEBI has vide circular dated March 15, 2010, *inter alia*, required asset management companies to disclose their general policies and procedures for exercising voting rights in respect of shares held by them on their website as well as in annual reports distributed to unitholders from financial year 2010-11.

In accordance with the above, general voting policies and procedures of Franklin Templeton Asset Management (India) Private Limited ("FTAMIL") for the Schemes of Franklin Templeton Mutual Fund is given below:

Role in the Corporate Governance of Listed Companies and general Voting Guidelines:

FTAMIL understands its fiduciary responsibilities towards its clients. These responsibilities include the duty of exercising voting rights in the interest of its clients in respect of the shares held by it on behalf of clients in investee companies.

In keeping with its fiduciary responsibilities, FTAMIL reviews all proposals put up for voting even though they may be considered to be routine matters and exercises the votes in the best interest of clients. Each proposal is considered based on the relevant facts and circumstances. FTAMIL may deviate from the general policies and procedures when it determines that particular facts and circumstances warrant such deviation to protect the interests of its clients. Such deviations, if any, would be reported to the Board of Directors. Corporate governance issues are diverse and continually evolving and FTAMIL devotes significant time and resources to monitor these changes.

One of the primary factors FTAMIL considers when determining the desirability of investing in a particular company is the quality and depth of that company's management. Accordingly, the recommendation of management on any issue is a factor that FTAMIL considers in determining how to vote. However, FTAMIL does not consider recommendations from management to be determinative of FTAMIL's ultimate decision. As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits, and FTAMIL will not support the position of a company's management in any situation where it determines that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

FTAMIL may utilise the services of unaffiliated third party professional agencies for getting in-depth analyses of proposals and vote recommendations. FTAMIL may also

delegate the voting administration activities to a specialized department within Franklin Templeton Group.

Voting Procedures

FTAMIL understands that its voting decisions may affect the value of shareholdings. Therefore, FTAMIL will generally attempt to process every proposal it receives for voting. However, there may be situations in which FTAMIL may be unable to vote, or may choose not to vote, such as but not limited to: (i) Proposal was not received from the custodian; (ii) a meeting notice was received late; (iii) FTAMIL held shares on the record date but sold them prior to the meeting date; (iv) proxy voting service is not offered by the custodian in the market; (v) FTAMIL believes it is not in the best interest of the clients to vote for any other reason not enumerated herein; or (vi) a security is subject to a securities lending or similar program that has transferred legal title to the security to another person.

Conflict of Interest:

FTAMIL is an affiliate of a large, diverse financial services firm with many affiliates and makes its best efforts to avoid conflicts of interest. However, conflicts of interest can arise in certain situations. Few examples of such situations are:

- Investee Company is a client of FTAMIL or its affiliates
- Any director of FTAMIL or its affiliates is a director of Investee Company
- Investee Company is an entity participating to a material extent in the distribution of products managed or advised by FTAMIL or its affiliates.

FTAMIL does not invest in the securities of group companies of FTAMIL on behalf of its clients. FTAMIL endeavors to resolve conflicts of interest in the interests of clients. Nonetheless, even though a potential conflict of interest exists, FTAMIL may vote in opposition to the recommendations of an investee company's management.

Voting Principles:

Corporate governance issues are diverse and continually evolving. Whilst it is difficult to provide an exhaustive list of such issues, the following guidelines reflect what FTAMIL believes to be good corporate governance and stance it may generally take with respect to below matters:

(i) Corporate Governance Matters, including merger and corporate restructuring, anti take over provisions etc.:

Mergers and acquisitions will be subject to careful review to determine whether they would be beneficial to shareholders. FTAMIL will analyze various economic and strategic factors in making the final decision on a merger or acquisition. Corporate restructuring proposals are also subject to a thorough examination on a case-by-case basis. FTAMIL generally opposes anti-takeover measures since they tend to reduce shareholder rights. However, as with all proxy issues, FTAMIL conducts an independent review of each anti-takeover proposal. FTAMIL may vote with management when it is felt that proposal is not onerous and would not harm interests as shareholders.

(ii) Changes to Capital Structure:

FTAMIL realizes that a company's financing decisions have a significant impact on its shareholders, particularly when they involve the issuance of additional shares or the assumption of additional debt. FTAMIL will review, on a case-by-case basis, proposals by companies to increase authorized shares and the purpose for the increase.

(iii) Stock option plans and other proposals pertaining to management compensation:

A company's equity-based compensation plan should be in alignment with the shareholders' long-term interests. FTAMIL believes that executive compensation should be directly linked to the performance of the company. FTAMIL evaluates plans on a case-by-case basis by considering several factors to determine whether the plan is fair and reasonable. FTAMIL will generally oppose plans that have the potential to be excessively dilutive.

(iv) Social and corporate responsibility:

FTAMIL believes in management discretion with regard to social, environmental and ethical issues although FTAMIL may vote in favor of those issues that are believed to have significant economic benefits or implications.

(v) Board of Directors:

Independent board is a key to good corporate governance. FTAMIL supports an independent board of directors, and prefers that key committees such as audit, nomination and compensation committees be comprised of independent directors.

Internal Control mechanism:

Internal controls and checks are in place at various key steps in the process of exercise of votes as considered relevant/ material by FTAMIL. Further, FTAMIL or any specialized department within Franklin Templeton Group will periodically review the implementation of the policy and the disclosure requirements.

Disclosure of voting:

In terms of the SEBI circular dated March 15, 2010, FTAMIL shall disclose on its website www.franklintempletonindia.com as well as in the annual report distributed to the unitholders from the financial year 2010-11, the actual exercise of votes in the general meetings of investee companies.
