



Quantum Advisors (India) Stewardship Code

Background

The purpose of this Policy is to describe the approach taken by Quantum Advisors Private Limited to stewardship based on the principles indicated by the Securities Exchange Board of India ('SEBI') vide circular no. CIR/CFD/CMD1/168/2019 dated 24th of December 2019 ('SEBI Circular') aimed at Institutional investors in India. The purpose of the Stewardship Code is to enhance the quality of engagement between institutional investors and the investee companies to help improve the Corporate Governance practices with a view to enhance long-term returns to Unit holders and the governance responsibilities.

Securities and Exchange Board of India (SEBI) vide circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019, prescribed Stewardship Principles to be adopted and implemented by Investment Managers of mutual funds and Alternative Investment Funds in relation to their investment in listed equities.

Quantum Advisors Private Limited (the Firm) is an Investment Management Company registered with the Securities and Exchange Board of India as Portfolio Manager. Taking guidance from the said SEBI Circular, the Firm believes that it has Stewardship Responsibilities to improve corporate governance standards in the investee companies and to act in the best interest of its clients.

Over the years, the Firm has continued and enhanced its tradition of extensive financial analysis and value investing, as it has evolved into an Investment Manager. For over 25 years, Quantum Advisors has been at the forefront of responsible investing as one of India's most respected investment firms. With over USD 3 billion of Assets under Management (AuM), Quantum leads the advancement of ESG principles across India, having introduced our Integrity Screening in the investment process in 1996.

Stewardship Principles

Principle 1

Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, and review and update it periodically.

Our primary responsibilities include: As our fiduciary responsibility, the Firm extensively engages with the investee companies on various aspects ranging from long-term strategy, operational performance, corporate governance, and material environmental and social issues to its fiduciary and stewardship responsibilities. It is the Firm's endeavor that the investee companies exhibit best-in-class performance in the above aspects.

This Code outlines how the Firm discharges its stewardship responsibilities and integrates material environmental, social, and governance (ESG) risks and value creation opportunities in the investee companies.

Investment stewardship is beneficial for multiple stakeholders:

- **Firm's clients:** It helps deliver better risk-adjusted returns over the long term while preserving or enhancing the natural and social capital.

- **Firm's Investment Research Team:** It adds value to our overall research process including portfolio management, risk management, and monitoring and identification of risks and opportunities.

- **For Regulators and Society:** It leads to better functioning capital markets and minimizes the occurrence of negative externalities.

Principle 2

The Firm is committed to maintaining a comprehensive investment approach that ensures continued improvement in the portfolio company's operational performance and ESG practices.

The Firm recognizes that a company's operational and ESG practices, whether good or bad, can affect its valuation and financial performance. As a result, the Firm pledges to exercise independent judgment in the identification of these risks and opportunities, research and engage with companies on material issues, and normally vote proxies on all resolutions.

The stewardship efforts will focus on protecting and enhancing Investors' assets for the long term. In this regard, the primary responsibilities include

- Regular evaluation and monitoring of the performance of the portfolio companies and investment universe on various aspects ranging from financial performance, corporate governance practices, and long-term strategy.

- Monitoring and engaging with the portfolio companies on material environmental and social risks and opportunities and actively intervening on occasions when there is a breach of best ESG practices.

- Voting on shareholders' resolutions that are in the best long-term interest of the schemes.

- Reporting on the engagement and supporting advocacy efforts to improve overall transparency and disclosure levels leading to sustainable shareholder returns.
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- Continuing training to the Research Team members to follow and implement stewardship responsibilities while discussions with the management, interacting with investee company boards, voting in shareholders meetings, etc.

The portfolio managers and the research team shall ensure that there is effective oversight of the Firm's stewardship activities.

Principle 3

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose them.

Identifying and Managing Conflict of Interest

While performing the stewardship activities, the Firm will identify any conflicts that exist between the interests of the Firm and its clients. It shall do so by reviewing the relationship of the Firm with the Investee Companies to determine;

- If the Firm or any of its employees or schemes has any financial, business, or personal relationship with the Investee Company or
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- Whether the Investee Company is a group or associate company of the Firm or
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- Whether the Investee Company has investments in the Schemes of the Fund
Examples of potential conflicts of interest include;
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- The Firm / Portfolio Manager / Research Analysts has a material business relationship with a proponent of a proposal, or directors or director candidates of an investee company; and
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- An employee of the Firm has a personal interest in the outcome of a particular proposal (which might be the case if, for example, a member of an employee's immediate family were a director or executive officer of the relevant company).
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Proxy votes regarding non-routine matters are solicited by a company that has (or whose retirement plans have) an institutional separate account relationship with the Firm or a large investment in one of the funds managed by the Firm.

- If a material conflict of interest exists, the CCO will determine whether it is appropriate to disclose the conflict to the affected clients, to give those clients discretion to vote, or to vote according to an independent third party voting recommendation

Principle 4

Institutional investors should monitor their investee companies

Monitoring of investee companies

The Firm shall regularly engage with and monitor all investee companies irrespective of the investment amount in the investee companies. Generally, the engagement and monitoring will cover aspects material to the investee company and may include at least one or all of the points enumerated below -

- The operational and financial performance of the company

- Management's execution of the company's long-term strategy

- Industry developments and competitive environment

- Corporate governance practices

- Risk including ESG risks and opportunities relevant to the company

The Firm has established a team dedicated to ESG research to monitor the key ESG risks and opportunities relevant to the investee companies.

Generally, the Firm will engage with the management team of the investee company on a half-yearly basis. Interactions may be in the form of one-on-one meetings or telephone calls, group meetings at investor conferences, analyst conference calls, company Annual General Meetings (AGMs), and site visits whenever feasible.

In addition to engagement, for the purpose of monitoring, the Firm will use publicly available information, company financial reports, sell-side research, and industry information to develop detailed financial models and research reports to arrive at an investment thesis for our investee companies. All research reports are to be approved by the Research Team.

The Firm while dealing with the Investee Companies, shall ensure compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time.

Principle 5

Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interest of the ultimate investors, which should be disclosed.

Active intervention in investee companies

Various circumstances may require intervention ranging from poor financial performance, lapses in corporate governance practices, low levels of disclosures, violation of environmental and/or social regulations, etc.

Generally, the research team will first engage with the company management to get their point of view, as well as seek additional disclosures if required.

- **Collective engagement:** The Firm shall consider collective engagement with other shareholders of investee companies on a general basis and in particular when it believes a collective engagement will lead to a better response from the investee company including interaction with the investee companies. Quantum shall determine individually its position on any issue requiring collaborative engagement and shall not act or be construed as a 'person acting in concert' with other shareholders.
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- **Escalation:** If the management of an investee company is unresponsive, the matter will be escalated to the Board of Directors of the investee company through formal written communication. If no positive action is forthcoming towards resolving the issue, then the company may be divested from the portfolio.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Policy On Voting and Disclosure of Voting Activity

In August 2019, the SEC published the Proxy Voting Guidance to assist investment advisers in fulfilling their proxy voting responsibilities, particularly when relying on proxy advisors. The SEC encourages investment advisers to review their policies and procedures in light of the Proxy Voting Guidance. The Proxy Voting Guidance underscores that an investment adviser is a fiduciary that owes to each of its clients' duties of care and loyalty regarding "all services undertaken on the client's behalf, including proxy voting." It also re-emphasizes that using a proxy advisor to assist with voting in no way relieves an investment adviser of its fiduciary duty to serve its client's best interest.

The SEC notes, among other things, that an investment adviser and its client may agree on the scope of the investment adviser's proxy voting authority and responsibilities. Firm's Policies and Procedures:

As a matter of policy and as a fiduciary to its clients, the Firm has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients unless otherwise provided in the Client IMAs. This proxy voting policy describes the Firm's policy for doing so.

The Firm may appoint or continue to retain a proxy advisor to assist it in meeting its proxy voting responsibilities. These policies and procedures (as also the performance of the Firm's proxy voting advisor) shall be reviewed on an annual basis.

Responsibility:

The CCO has the responsibility for implementation and monitoring of the Firm's proxy voting policy, practices, disclosures, and record keeping. The Firm will provide information in its Form ADV Part 2A -which is displayed conspicuously-, summarizing this proxy voting policy and procedures, including a statement that clients may request information regarding how the Firm voted a client's proxies, and that clients may request a copy of these policies and procedures. Voting Guidelines:

The Firm's policy is to vote all proxies from a specific issuer in the same way for each client whose account is being managed under the same investment strategy absent qualifying restrictions from a client. In the absence of specific voting guidelines from the client, the Firm will vote proxies in the best interests of its clients. Clients are permitted to place reasonable restrictions on the Firm's voting authority in the same manner that they may place such restrictions on the actual selection of account securities. All voting decisions are taken on a case-to-case basis applying a more company or issuer-specific analysis for a certain type of proposal (e.g. significant corporate events). The concerned research analyst at the Firm reviews the different proposals put before the shareholders and arrives at a final decision on how to vote, keeping in mind the long-term interest of the client and the detailed proxy voting guidelines put in place by the research and investment team. The firm may also if thought fit, obtain proxy advisory services from an independent "proxy advisory service provider" wherein the service provider shall provide their analysis on the various agenda items to be discussed at the shareholder's meetings and their recommendations on how the Firm may vote on these matters. The concerned research analyst of the Firm may after considering these recommendations shall communicate his or her final voting decision or recommendation to the Firm's back office team for further action. Where the Firm takes a decision to appoint or continue to retain a proxy advisor it shall endeavor to comply with the relevant guidance/s issued by SEC from time to time in this regard.

Principle 7

Institutional investors should report periodically on their stewardship activities.

Reporting on Stewardship Activities

A Report on the implementation of Stewardship Activities including how the conflicts of interest (if any) were managed will be provided upon request from clients. The Voting exercised along with a specific rationale supporting the voting decision and a summary of the voting cast will be disclosed to the clients on request.

Periodic review of the stewardship policy statement

This Stewardship Policy shall be reviewed and updated at least annually or earlier if required and the updated policy shall be disclosed on the website of Quantum Advisors Pvt Ltd.