

# Quantum Stewardship Code

Quantum Asset Management Company Private Limited (the Firm) is an Asset Management Company of Quantum Mutual Fund (the Fund) registered with the Securities and Exchange Board of India. The Firm has Stewardship Responsibilities to improve corporate governance standard in the investee companies and to act in the best interest of the schemes of the Fund and unit holders of the Fund.

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 Management.

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 towards its fiduciary and stewardship responsibilities. It is the Firm's endeavor that the investee companies exhibit best in class performance on 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:

- **Fund's Investors:** helps deliver better risk-adjusted returns over the long term while preserving or enhancing the natural and social capital.
- **Firm's Investment Research Team:** adds value to our overall research process including portfolio-management, risk-management and monitoring and identification of risks and opportunities.
- **For Regulators and Society:** leads to better functioning capital markets and minimizes the occurrence of negative externalities.

## **Stewardship Principles**

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 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 includes –

- 1) 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.
- 2) 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.
- 3) Voting on shareholders resolutions that are in the best long-term interest of the schemes.
- 4) Reporting on the engagement and supporting advocacy efforts to improve overall transparency and disclosure levels leading to sustainable shareholder returns.
- 5) Continuing training to the Research Team members to follow and implement stewardship responsibilities while discussions with the management, interaction with investee company boards, and voting in shareholders meetings etc.

The Key – Employee Investment Committee of the Firm shall ensure that there is an effective oversight of the Firm’s stewardship activities.

#### **I) Managing Conflict of Interest**

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

- a) If the Firm or any of its employees or schemes has any financial, business or personal relationship with the Investee Company or
- b) Whether the Investee Company is a group or associate company of the Firm or
- c) Whether the Investee Company has investments in the Schemes of the Fund

Examples of potential conflicts of interest include;

- a) The Firm / Fund Manager / Research Analysts has a material business relationship with a proponent of a proposal, or directors or director candidates of a investee company; and
- b) 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).

c) The Investee Company has invested more than 5% of the net asset value of a scheme

If a material conflict of interest exists, the Compliance Officer will determine whether it is appropriate to disclose to the Key Employee Investment Committee to give the Committee the discretion to vote or to vote according to an independent third party voting recommendation. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must recuse himself or herself from the committee meeting at which the matter is addressed and not participate in the voting decision.

The Firm also has a conflict of interest policy in terms of SEBI Circular No. CIR/MIRSD/5/2013 dated August 27, 2013 which sets out area of conflict of interest, how it is identified and how it is managed.

## **II) Monitoring of investee companies**

The Firm shall regularly engage with and monitor all investee companies irrespective of the amount of investments 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 -

- 1) The operational and financial performance of the company
- 2) Management's execution of the company's long-term strategy
- 3) Industry developments and competitive environment
- 4) Corporate governance practices
- 5) 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 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 the compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time.

### **III) 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. If the management of an investee company is unresponsive, the matter will be escalated to the Board of Directors of the investee company through a formal written communication. If no positive action is forthcoming towards resolving the issue, then the company may be divested from the portfolio.

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 through. 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.

### **IV) Policy On Voting and Disclosure of Voting Activity**

The Firm has a separate Proxy Voting Policy in terms of SEBI circular no. SEBI / IMD / CIR No.18/198647/2010 dated March 15, 2010 which is uploaded on website of the Firm. The Voting exercised along with specific rationale supporting the voting decision and summary of voting cast disclosed on the website as well as in the Annual Report of the Fund in terms of SEBI circular no. CIR/IMD/DF/05/2014 dated March 24, 2014.

### **V) Reporting on Stewardship Activities**

A Report on implementation of Stewardship Activities including how the conflicts of the interest (if any) were managed, along with the Annual Report of Schemes of the Fund will be placed on the website of the Firm within 120 days of the end of the Financial Year. The Report will also be sent to the Fund investors' along with the Annual Account of the Schemes. The Voting exercised along with specific rationale supporting the voting decision and summary of voting cast will be disclosed on the website within 10 working days from the end of the quarter.