



**QUANTUM  
ADVISORS**

Building Your India Portfolio

Quantum Advisors Private Limited (India)

# UK Stewardship Code Report 2025



[www.QASL.com](http://www.QASL.com)



# CONTENTS

<b>FOREWORD</b>	<b>04</b>
<b>OUR COMMITMENT TOWARDS SUSTAINABILITY</b>	<b>06</b>
<b>PURPOSE AND GOVERNANCE</b>	
<b>PRINCIPLE 1: PURPOSE, STRATEGY, AND CULTURE</b>	<b>10</b>
<b>PRINCIPLE 2: GOVERNANCE, RESOURCES, AND INCENTIVES</b>	<b>20</b>
<b>PRINCIPLE 3: CONFLICTS OF INTEREST</b>	<b>30</b>
<b>PRINCIPLE 4: PROMOTING WELL-FUNCTIONING MARKETS</b>	<b>36</b>
<b>PRINCIPLE 5: REVIEW AND ASSURANCE</b>	<b>44</b>
<b>INVESTMENT APPROACH</b>	
<b>PRINCIPLE 6: CLIENT AND BENEFICIARY NEEDS</b>	<b>50</b>
<b>PRINCIPLE 7: STEWARDSHIP, INVESTMENT AND ESG INTEGRATION</b>	<b>58</b>
<b>PRINCIPLE 8: MONITORING SERVICE PROVIDERS</b>	<b>66</b>
<b>ENGAGEMENT</b>	
<b>PRINCIPLE 9: ENGAGEMENT</b>	<b>72</b>
<b>PRINCIPLE 10: COLLABORATION</b>	<b>80</b>
<b>PRINCIPLE 11: ESCALATION</b>	<b>84</b>
<b>RIGHTS AND RESPONSIBILITIES</b>	
<b>PRINCIPLE 12: EXERCISING RIGHTS AND RESPONSIBILITIES</b>	<b>88</b>
<b>CONTACTS</b>	

## FOREWORD

We at Quantum Advisors Private Limited ("Quantum") are pleased to present - The UK Stewardship Code report for fiscal year ended March 2025 which reflects our commitment to prudent investment management, as we look back on the fiscal year 2024-2025 (FY'25). As a leading investment management institution, we understand that the decisions we make today will have an impact on the future, and we make every effort to manage our investors' assets responsibly.

The values and mission of Quantum serves as the foundation for our company's guiding principles. Our investment approach focuses on long-term investment strategies emphasizes sustainable and responsible actions while delivering superior financial performance. Our team of experienced portfolio managers, supported by a skilled group of research analysts, aims to drive positive change and deliver value for our clients through rigorous research, comprehensive risk management, and active engagement with companies.

Integrity principles encompassing various dimension of Environmental, Social & Governance, considerations are important for us when making investment decisions. We actively engage with our portfolio companies to urge changes wherever needed because we believe that businesses with strong integrity are better positioned for long term success. Our engagement initiatives cover a wide range of subjects, such as corporate governance, diversity and inclusion, and climate change. To support sustainable business practices, we actively take part in shareholder proxy voting, have active discussions with company's management, and work with other stakeholders to drive positive change for long term value creation.

Furthermore, we are committed to accountability and transparency. We keep our client informed with regular updates on our stewardship actions, including engagement efforts and proxy voting results. For us, effective trust building and meaningful interaction with our clients and other stakeholders hinge on open communication and transparency.

### Key accomplishments of fiscal year ending March 2025 :

In FY'25, we launched an Ethical Fund which integrates the principles of integrity and sustainability with the investment philosophy of Shariah and Jain principles of investing. It provides investors an avenue to align investments with their value and belief system thereby promoting financial inclusion in India. During the year, we also introduced our fund offerings for our clients in European Union under Q India Predictable India Equity UCITS Funds. Likewise, we introduced our fund in US markets via Q India Equity Fund under Investment Company Act of 1940. The new offerings aided in ease of accessibility of Quantum funds for our offshore clients. These funds follow the principles of long term value investing with core focus on good governance.

We actively engaged with companies to gain insights into their business strategies, governance structures and overall commitment to integrity and sustainability.

Our overall objective is to promote global best practices in emerging markets like India where we operate and ensure their voices are heard in global discussions. Our participation includes attending academic workshops, conferences (as attendees and speakers), and providing feedback on international consultations like ICGN's corporate governance guidelines. We are also a signatory to ICGN and currently serve as an active member of the ICGN Global Policy Committee. We are also signatories to Workforce Disclosure Initiative, part of the Thomson Reuters Foundation and Access to Nutrition Initiative.

We continued to engage proactively with Workforce Disclosure Initiative (WDI) during FY 2025 to significantly expand its presence in the Indian market and initiated meaningful discussions with Indian companies on workforce well-being & disclosures.

Overall, our engagement in the Indian market is expanding, and we are committed to promoting positive change. We approach proxy voting diligently and consistently uphold strong governance

principles, even if this requires us to vote contrary to proxy advisors' recommendations.

To date, we have maintained a consistent approach to responsible investment management by conducting a forward looking assessment of our investments. We remain dedicated to promoting responsible and sustainable business standards by engaging with stakeholders and drive meaningful change. Our commitment is to deliver optimal returns for our clients while

upholding the highest degree of integrity, transparency, and stewardship fulfilling our fiduciary duty as custodians of our clients' assets.

Sincerely,

Piyush Thakkar

Chief Executive Officer



## Our commitment towards sustainability

Since its inception in 1990, Quantum has conducted its business with a high focus on ethics, integrity, and transparency, where we strive towards offering sensible risk-adjusted returns over the long term to our clients.

Long-term investing demands investment in companies who showcase high integrity and have sustainable business operations. While we do thorough research and analyse our investee companies before taking investment decisions for client's portfolio or funds managed by us, it is essential for Quantum to develop a framework for assessing companies' integrity through a broad sustainability strategy. This will ensure our long-term growth and commitment to customers, employees, and society at large.

Hence, we have put in place a integrity framework for Quantum Advisors which highlights key sustainability areas and material factors alongside Key Performance Indicators (KPIs) to measure our success. Our long-term performance on these areas will impact our overall business growth, reputation, firm valuation and ultimately our social license to operate.

We have identified the following material aspects that are highly relevant for us as an asset manager. They will enable us to build a sustainable long-term business, focus on what is right for our investors,

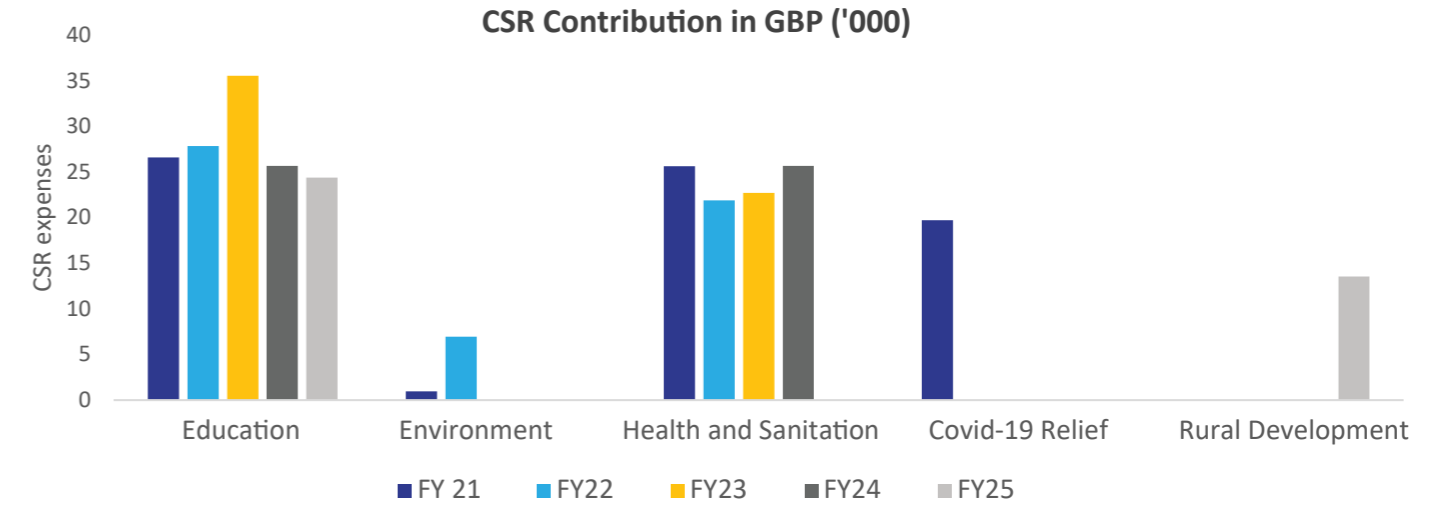
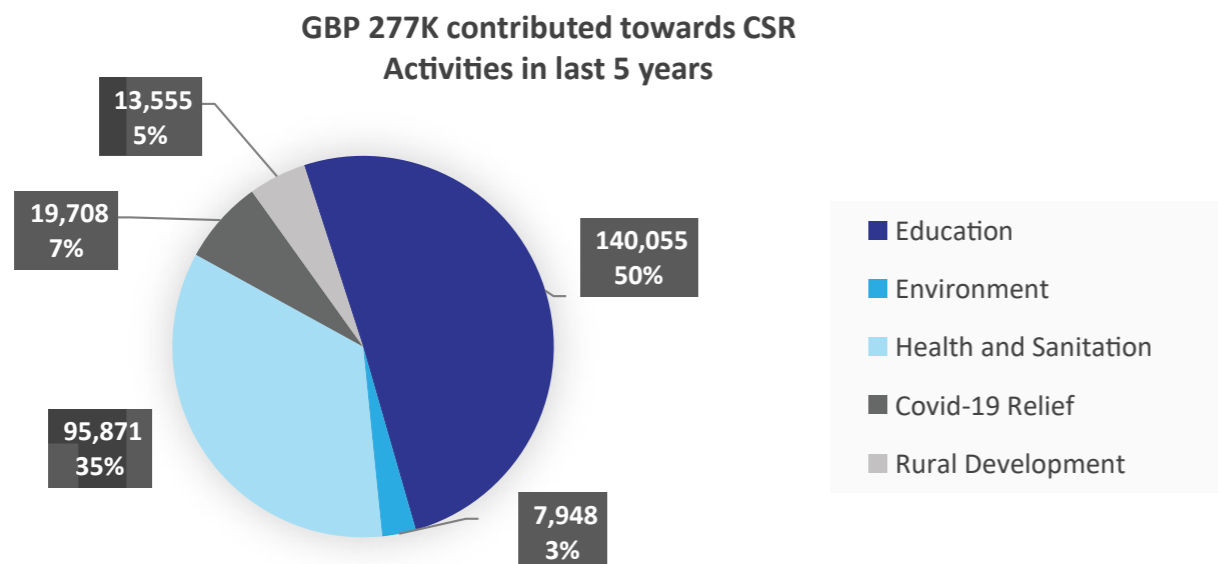
and uphold the highest standards of governance in our investee companies.

- Robust Governance Practices
- Ethical Conduct
- Effective Human Capital Management.
- Integrating sustainability in investing.
- Provide transparent information and fair advice.
- Maintain customer privacy and data protection.
- Undertaking Internal sustainability initiatives.

### Corporate social responsibility (CSR) initiatives:

Quantum intends to make a positive difference to society by contributing towards social causes for betterment of society in the areas in which Quantum operates. Quantum's initiatives under CSR are focused towards supporting primary education, preserving environment, and improving healthcare infrastructure. Quantum partners with non-government organizations (NGOs) to bring meaningful change to communities. Company's focus has always been to contribute to the sustainable development of society and the environment, and to make our planet more habitable for future generations.

During the last 5 years (up to FY'25) on average we spent 2% of net profits on CSR initiatives.



## Offsetting our carbon footprint

We have initiated a process to measure internal carbon footprint and take steps to reduce our per capital CO2 emission. CO2 emissions for Quantum Group for previous five financial years are as below:

Year ending	CO2 Emissions	Per Employee CO2 Emission	Number of trees required to offset CO2 Emissions
Mar'2025	163.2 tonnes	0.81 ton	8,200
Mar'2024	201.5 tonnes	0.94 ton	10,075
Mar'2023	204 tonnes	0.99 ton	10,200
Mar'2022	101 tonnes	0.45 ton	5,055
Mar'2021	166 tonnes	0.69 ton	8,300
Mar'2020	349 tonnes	1.33 ton	17,432

We have planned to offset our environmental footprint by planting trees. As per our research, we have found out that to offset 20 kg of CO2 emission in the environment, 1 tree would have to be planted. Over the last 2 years, we have planted approximately 17,000 trees (after survival), as part of our CSR initiatives and because of that our annual CO2 offset is 340 tonnes.

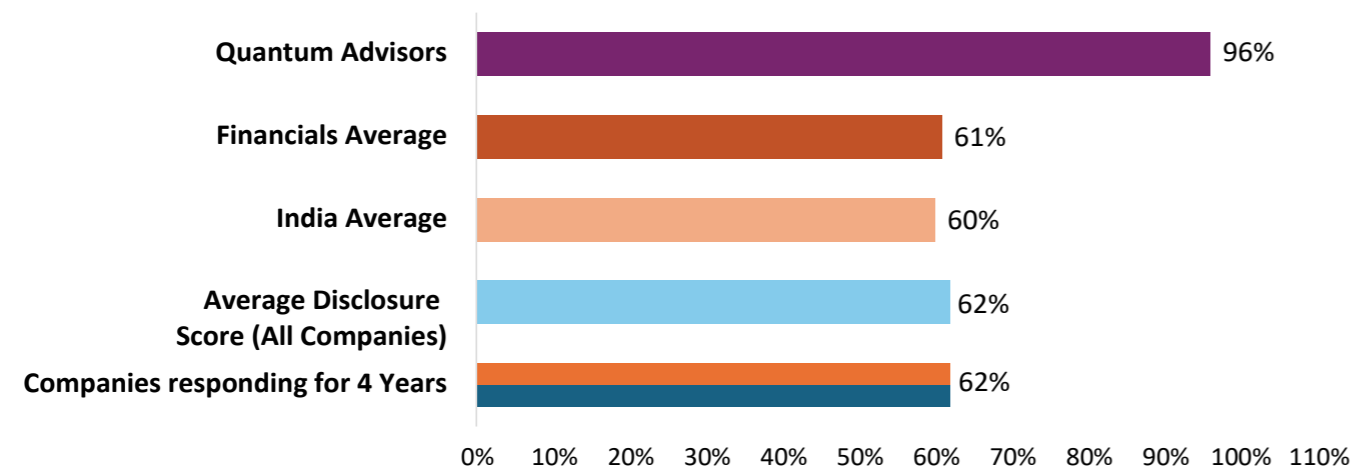
## Signatory to the Workforce Disclosure Initiative (WDI):

In 2020, we became the first Indian company to partner with the Workforce Disclosure Initiative (WDI), which was initially managed by Share Action and part funded by the UK Government's Foreign, Commonwealth and Development Office (FCDO). WDI is now part of the Thomson Reuters foundation. WDI aims to improve corporate transparency and accountability on workforce issues. In the initial years, we evaluated ourselves on various aspects of our workforce practices by participating in WDI's annual survey and engagement program and now we have extended our learnings to our investee companies.

In the 2024 submission, we have managed to stay industry leader with a score of 96%, higher than the financial industry average of 61% and overall average of 62%.

Quantum was also nominated for the "WDI Award" and was declared as Runner Up in the Overall Disclosure Category. We also received Special Mention Award under Contingent Workforce and Workforce Action Category. The link to the award publication is mentioned below:

### [WDI Awards 2024 - Workforce Disclosure Initiative](#)



With our continued push for better reporting, transparency, and disclosures on sustainability issues, Quantum is leading by example and continuously engaging with its portfolio companies. As a part of our commitment to Workforce Disclosure Initiative, Quantum's focus is on sharing its experience and expectations with the companies on increasing workforce transparency across its direct operations and supply chains.

By offering the best standards in governance, environmental and Social, workforce equity, and transparency, Quantum wants to undoubtedly make progress toward its goal of fostering growth and boosting investors' confidence in responsible investing.

With our continued push for better reporting, transparency, and disclosures on ESG issues, Quantum is leading by example and continuously engaging with its portfolio companies. As a part of our commitment to Workforce Disclosure Initiative, Quantum's focus is on sharing its experience and expectations with the companies on increasing workforce management transparency across its direct operations and supply chains.

By offering the best standards in governance, environmental and Social, workforce equity, and transparency, Quantum wants to undoubtedly make progress toward its goal of fostering growth and boosting investors' confidence in the ESG space.



# PRINCIPLE 1

## Purpose, Strategy, and Culture

## PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

### REPORTING EXPECTATIONS

#### Context

Signatories should explain:

- The purpose of the organization and an outline of its culture, values, business model and strategy;
- Their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why

#### Activity

- Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

#### Outcome

Signatories should disclose:

- How their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and
- An assessment of how effective they have been in serving the best interests of clients and beneficiaries.

### Company overview

Quantum is an investment management firm based in India, primarily investing in Indian markets. We manage AUM (Assets Under Management) of GBP 1,893 million as of March 2025. We have 201 employees and 9 fund managers serving clients globally which includes but not limited to pension funds, sovereign wealth funds, university endowment foundations, family offices and such other institutional investors.

Quantum Advisors caters to foreign institutional investors investing in Indian markets & Quantum

Asset Management company (QAMC), a wholly owned subsidiary of Quantum Advisors caters to domestic retail investors. QAMC manages a mutual fund in India under different categories like Value, Small Cap, Liquid, Gold, Index, ESG and Ethical. Quantum Advisors along with its subsidiaries constitute the "Quantum" group.

Quantum Advisors has pioneered a quantitative as well as qualitative analytical approach to equity investing in India, consistently applying valuation metrics to evaluate investment opportunities in India's emerging stock markets. Over the years, Quantum has continued and enhanced its tradition of extensive financial analysis and value investing, as it has evolved into an investment advisor and asset manager. It has been over 25 years since Quantum and its founders included a "governance" factor when investing in companies. We take pride in initiating what we called the 'Integrity Screen' as a filter for our investments - a conscious decision to avoid investing in companies with failed or inefficient corporate governance.

### Purpose of our organization

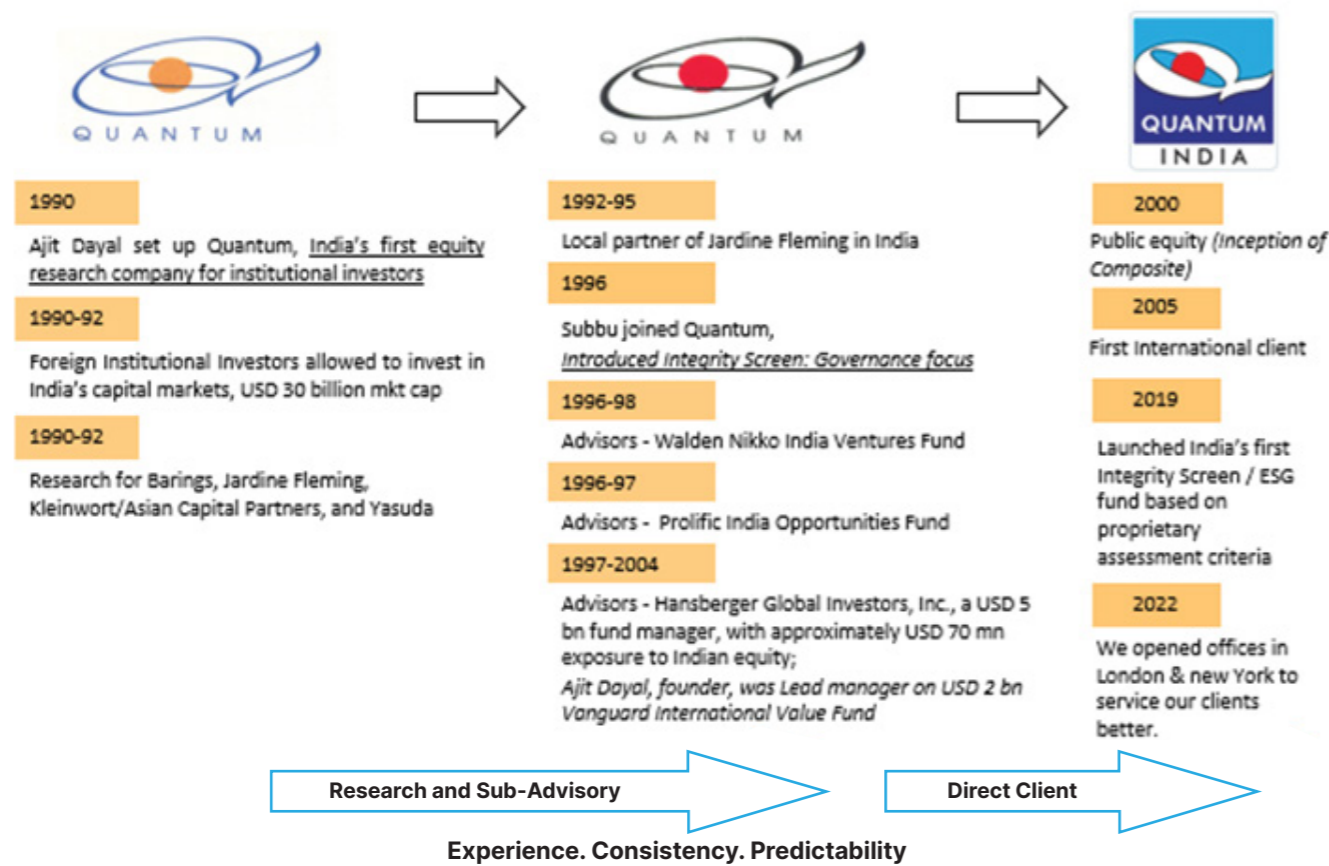
As an investment firm, Quantum's mandate is to invest the capital of our clients for sensible long-term returns without taking undue risks. Our principles for investing are centred on analysing, controlling, and monitoring risk for investors in India rather than increasing it. Our investment approach is guided by the principles of value, integrity, and transparency. We focus on our customers, providing relevant and necessary products and solutions without taking advantage of or exploiting them.

Our investment strategies involve the use of intensive qualitative and quantitative fundamental analysis to actively build and monitor our client's portfolios. Simultaneously,

we aim to avoid excessive trading and manage risk by ensuring our clients' portfolios are adequately diversified. Our investment strategy is to invest in companies which we believe are attractively priced in the market when compared to our valuation of those companies or offer long term competitive edge to deliver returns for investors. Our approach involves making stock-specific decisions which consequently result in particular sectors weights. We believe

that our investment process is unique as it is "team-driven" rather than relying on a single "star" fund manager. In addition to the "team" structure, we believe that our investment process has a calibrated risk approach and a long-term orientation. Investment decisions are based on the consensus of the portfolio team and are executed by the respective portfolio manager in line with the applicable guidelines and specific client mandates.

### Our Evolution



### Our business model & strategy

Quantum is an asset manager and not an asset gatherer. We solely focus on our client's needs and how best we can support them and their needs in the long run. We consistently target our efforts to see how to improve and where we can add value for our stakeholders. We at Quantum place a high value on doing what is right for all our stakeholders and communities by diligently

fulfilling our responsibilities whether through shareholder voting or active engagement. We believe that we're aligned with our clients' interests and have demonstrated a desire and willingness to understand their needs year after year including in FY 2025. Our strategy and business model is built entirely around providing our clients with sensible, predictable returns over a long period of time.

### Culture & values

The success of any enterprise rests on the character and values of the people who start it and is sustained by transferring those values effectively. The overriding philosophy of Quantum, as laid down by the Founder, is enshrined in the Charter of Principles. These principles act as guiding light to the Boards and Management teams. Please refer to our Charter of Principles at [Charter-of-Principles](#) (QASL.com)

At Quantum, integrity and transparency are integral to our culture. Our flat hierarchy fosters these values by ensuring accessibility between colleagues & seniors across business function. We hold quarterly town hall meetings to share organization and business updates, celebrate employee achievements, address grievances and conduct Q&A sessions; this nurtures a culture of trust and innovation.

Our diverse work force reflects our commitment to diversity, equity and inclusion, which we consider as our core objectives. In FY25 we had 40.36% female representation at the organization level with 17% at the senior management level.

### Investment beliefs: key factors for desired investment outcomes

We evaluate the companies in which we invest based on their businesses, the strength of their balance sheet and cash flow relative to their long-term goals, and other factors, including our assessment of the skill and expertise of the company's management team and the long-term potential for both the company and the market in which it operates.

Shareholder interest is paramount to our investing process, and we follow the below-mentioned investment beliefs for achieving the desired investment outcome:

- Under the Q India Value Equity Strategy, we generally buy stocks at a discount to what we believe to be their intrinsic value. Such opportunities may arise for a variety of reasons, such as market undervaluing a

company, assessment indicating opportunity for significant profit or market share growth based on sector dynamics, or because of the company's competitive or proprietary advantages.

- Maintain an investment approach that fosters continuous improvement on our integrity assessment including risk management on various parameter including environmental and social performance, as well as corporate governance, across our portfolio companies.
- Exercising independent judgement in identifying risks and opportunities, incorporating ESG information in our investment research, engage with companies on ESG issues, and diligently vote on all resolutions related to ESG matters.
- Ensure fair and equitable rewards and benefits structure for Quantum team members that is tied to fair advice and exceptional customer service, incentivizing long-term solutions that align with customer needs.
- Emphasize teamwork rather than relying on individual star performers.
- Maintain a strong balance sheet with sufficient cash and investments to cover 36 months of expenses on a zero-revenue basis, ensuring no compromise on customer focus.

### Given our focus on corporate governance, we avoid investment in companies:

- With a record of treating minority shareholders poorly
- That have blatantly violated environmental rules and regulations
- That have acquired national properties from the government through questionable means
- With questionable accounting practices
- With weak business models
- Where it is not clear as to who exactly the founders of the company are

- Companies involved in the production of tobacco, alcohol, gambling, pornography
- That follow other similarly questionable practices as those enumerated above

As part of our research process, we have always given primary emphasis to corporate governance factors and have excluded those companies that have demonstrated a poor governance track record. From 2015 onwards, based on the increasing importance of non-financial factors (Environment and Social) as well as regulations mandating disclosures on ESG metrics, we developed a proprietary methodology to formally rate companies in our investment universe on these 'E', 'S', and 'G' metrics.

**Activity**

**Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.**

Quantum Advisors is dedicated to long-term investing and employs a portfolio strategy that emphasizes "active monitoring but not constant churning." We believe that Environmental, Social, and Governance (ESG) concerns are critical in delivering long-term investment returns, both as opportunities and as risk mitigation strategies. We evaluate how companies manage various forms of capital, including financial, social, human, and natural resources, as responsible stewards of our clients' capital. By assessing the impact of its operations on society and the environment, we incorporate the true cost of their business operations.

**Research & investment process:**

The investment process that we use is systematic, disciplined, and research driven. The investment decisions are arrived at by using a well-researched bottom-up approach. While we also understand that companies don't operate in a vacuum, the research process combines macro (broad economy) and micro (security-level) factors for investment decisions. The macro analysis looks at long-term macroeconomic

indicators such as gross domestic product GDP inflation, fiscal and monetary policy, deficits and currency, global macroeconomic changes that may impact the domestic environment, liquidity, government borrowing, and corporate borrowing. This macroanalysis also helps forecast the direction and level of interest rates. The microanalysis (bottom-up analysis) looks at individual companies and aims to identify good investment opportunities through a thorough analysis of future business prospects, undervalued opportunities and companies that fare well on our governance integrity checks as sustainability typically acts as the driver for long term performance. It also helps us to analyse the associated risks of each investment.

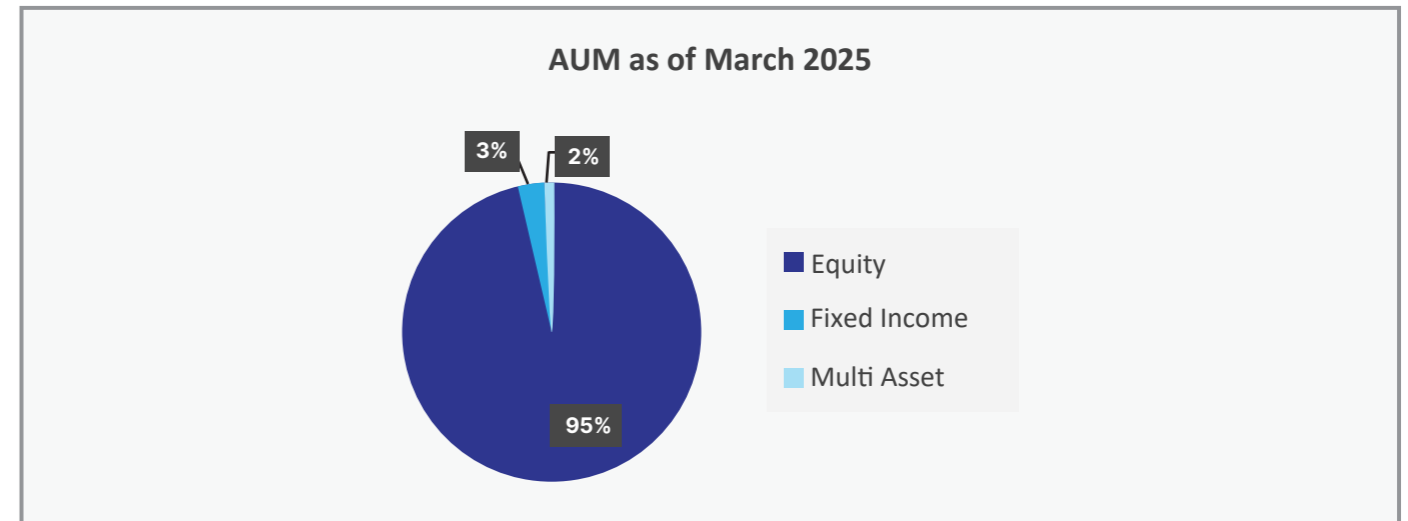
While we refer to broker reports to help our analysis and question our own thesis, that doesn't drive our final decision making, it further only helps us make our research process more thorough. As we arrive at conclusive research at our end, brokers at times further facilitate to get any required clarification from companies as we engage with them, ensuring a continuous feedback loop to enhance our research and investment decisions.

**Investment capabilities**

Quantum Advisors is one of India's most respected investment firms, aiming to deliver consistent returns for our clients while avoiding undue risks and ensuring measured growth in AUM across multiple asset classes. Quantum has been a leader in promoting integrity principles issues in India. For more than 25 years, we have incorporated an integrity screen into our investing process.

We focus our investment capabilities on four different asset classes, with our primary expertise being in equity. Each asset class has dedicated research and investment teams based in India.

Asset class	AUM *2025 March (In GBP mn)	No of investment professionals
Equity	2,341.62	32
Fixed Income	78.01	3
Multi Asset	38.81	2
Private equity	-n/a	n/a



**Our two main equity strategies:**

India Value Equity and India Responsible Returns are built on sound investment principles and follow a disciplined investing process. The research and investing process for both the strategies have some common philosophies –

1. they depend on proprietary research
2. they follow the integrity screen to sift out bad companies and
3. they cherish liquidity to ensure that the NAV is real, transactable and that the strategy is scalable.

**Q India Value Equity Strategy:**

The Q India Value Equity Strategy reflects a portfolio based on the principles of long term "value" investing - with "values" as a powerful

integrity filter to ensure we minimize non-financial risk by sifting out companies which could add to the non-financial risk in the portfolio. It provides investors with a long-only India portfolio which is liquid, avoids the 'crony capitalists', is built on sound principles of value investing, and delivers a predictable outcome. For the Value Strategy, the ESG rating does not serve as the sole determining factor in the decision to include or exclude companies in our portfolio. However, when we observe any portfolio company involved in serious violations of ESG practices and management or the Board demonstrates no intent to improve, the portfolio team will divest the company. For non-portfolio companies, the stock will be placed on "Permanent Watch" and will not be bought – irrespective of market price – until our concerns have been satisfactorily resolved.

## Q India Responsible Returns Strategy:

Since 2015, we have used our proprietary methodology and formally assess companies based on their ESG performance. This serves as the foundation for managing our Q India Responsible Returns Strategy (QIRR), which enable investors to invest in sustainable companies.

Our approach comprises our proprietary "Integrity Screen," which focuses on Governance, as well as our principles based, qualitative ESG framework, which has been improved since 2015 to identify best and worst ESG standards. The Q India Responsible Returns Strategy (QIRR) provides a solution for investors seeking a "clean" India public equity portfolio built on globally recognized principles of Governance, Sustainability and Financial Soundness.

### Q India Sovereign Focused Bond Strategy:

For the fixed income portfolio, the majority investment is into sovereign bonds issued by the Government of India. From the perspective of ESG, the targets and commitments set by the government for 2030 and 2070 are monitored and tracked on a regular basis.

### Multi Asset Strategy

Our Multi asset strategy diversifies across 3 major asset classes: equity, debt & gold. The stewardship principles relevant to each asset class are applied according to allocation of investment within them.

## Integrating and supporting effective stewardship

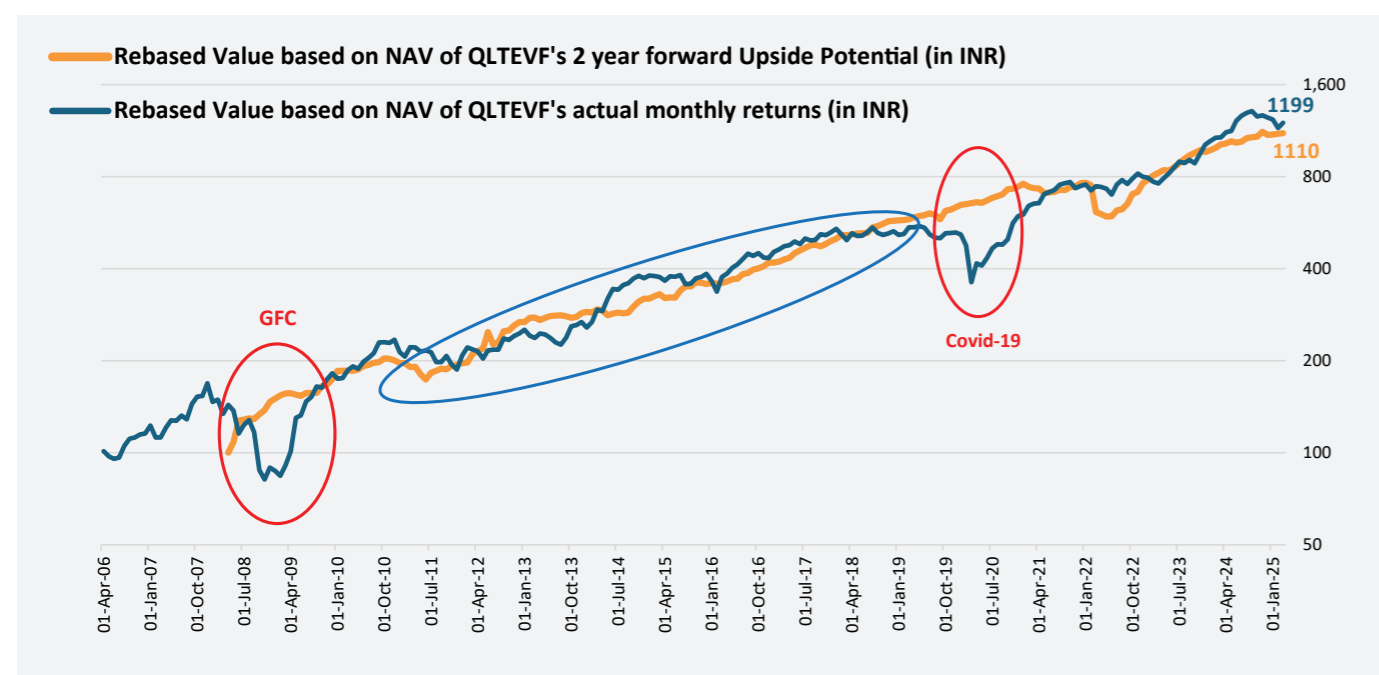
Building enduring value for our clients goes together with fostering a positive impact on the wider world. We take a long-term ownership perspective when investing and actively engaging with companies. This includes voting at shareholder meetings and discussions with management, attending con-calls & meeting the management from time to time. We see room for improvement in this area like more collaborative engagement with investee companies and are committed to driving positive change.

### Assessment of Effectiveness

Our clients aim for a long-term predictable growth over short term returns, and they prefer that we invest in companies' high corporate governance standards. Our clients also prefer superior standards of stewardship and engagement on regular basis

#### A. Longterm predictable strategy

As mentioned in the below picture 1.3, Quantum has delivered long term growth over different market cycles despite global economic crisis. Quantum has ensured that its investment style provides a long-term predictable return for its clients. We identify ourselves as Asset Allocators and not Asset Gatherers and invest in companies for long time frame of 5 years.



Since 2005, Quantum Advisors has estimated the Upside Potential of Q India Equity Value Strategy: since the portfolio is built on the basis of 'intrinsic value' we are able to indicate the NAV of our portfolio 2 years into the future (FY2e) and gauge the accuracy of our research process.

This above chart, diligently estimated every month since December 2005, stands as a testament to Quantum's commitment to transparency and accuracy. Providing estimates of the Portfolio's Gross NAV two years forward, the chart is a unique tool that unveils the potential to deliver in line with the upside in an investment. As can be seen from the chart above, the actual returns have been in line with the predicted returns barring global macro events of GFC and Covid. Over the last one year, while being predictable we have outperformed all the broad relevant benchmarks to the strategy.

### B. Lowest churn in the Industry

Our portfolio also has one of the lowest churn in the industry. Quantum's investment strategy also insulates its clients from governance and market-wide risks like market froth. Our clients like our strategy and the average client duration is 3.5 years for the retail clients which is way higher than the industry average of 1.5 years. On institutional end, our largest client has been associated with Quantum with around 15 years.

### C. Continuous client engagement

Our multi-touchpoint approach which includes engagements through newsletters, conferences, one-one meetings, quarterly calls, ensures we maintain close and productive relationships with our clients. We are committed to providing them with the information and insights they need to make informed decisions.

### D. Large investment research team

Quantum has one of the largest dedicated investment research teams in the industry. This depth of expertise enables us to undertake comprehensive, bottom-up analysis and maintain a robust research process that supports high-conviction, long-term investment decisions. Our strong analytical foundation translates into superior insights for clients and underpins the predictable, disciplined performance that our investors expect from us.

### E. Client fiduciary approach

Quantum has always been a thoughtful asset manager and has always advocated client approach. In this regard, Quantum has implemented many industry-first policies which have helped in clients' welfare. Further, many of the policies that we started following were later adopted by our market regulator, which indicates how we prioritize clients' (and their beneficiaries') best interest in our investment management services. Some examples of the same have been highlighted below.

## Pioneers, Setting the Tone for Transparency

*focused on best practices that are good for investors*

	Quantum Mutual Fund	SEBI Imposes Rule on MF Industry
Refused to follow the opaque Entry Load Model	Mar 2006	Jun 2009
Pioneered Direct to Investor, despite Slow Internet Speed and No Smart Phones	Mar 2006	Jan 2013
One Scheme / product per asset class	Mar 2006	Oct 2017
Exit Load swept into funds for the benefits of Unit Holders	Mar 2006	Nov 2012
Single Plan with Single Expense Structure for Retail and Institutional Investors	Mar 2006	Sep 2012
Introduced the practice of following Total Return Index (TRI) as benchmark for Equity Fund	Mar 2006	Jan 2018
Path to Profit (Investors Education & Awareness Program)	Aug 2009	Sep 2012
100% Independent Board of Trustees	Oct 2010	-
Mark to Market valuation in Liquid Fund, irrespective of the maturity	Jul 2012	Apr 2020
TER based on AUM Slabs	Feb 2017	Apr 2019
ZERO Upfront Distributor Commission and trail commission across all partners on Regular Plan	Apr 2017	Sep 2018

**Further to the above the following initiatives demonstrate how we ensure effective stewardship in practice:**

- We keep our clients informed with regular, concise updates. We send out monthly newsletters which highlight key macroeconomic issues, market outlook and portfolio actions undertaken, relevant company news, and insights from our research team.
- We schedule dedicated calls every quarter to discuss client specific needs and ensure our coverage aligns with their strategic interests. These calls provide a focused forum for in-depth discussions and feedback exchange.
- To foster a strong, collaborative relationship, we hold an annual in-person meeting to discuss long-term goals and delve deeper into client specific requirements.
- Our analysts are deeply invested in their coverage universe. They continuously monitor industry developments, meet with companies, vendors, and channel partners. This constant engagement allows them to stay on top of critical trends and provide our clients with the most up-to-date insights.
- We believe in a collaborative approach. We actively encourage the client feedback on our research and analysis. Their input is invaluable in helping us refine our approach and ensure it delivers the insights they need.
- Our analysts are dedicated to rigorous research. They constantly challenge and reassess underlying assumptions to ensure the accuracy and validity of their conclusions.
- We also engage with our clients to understand their requirements and incorporate their needs into our investment strategy

The client feedback—whether positive or constructive—plays a key role in shaping our stewardship practices and investment strategy. We tailor our investments based on client expectations ranging from investing in low-carbon companies to companies that do not harm animals.



# PRINCIPLE 2

## Governance, Resources, and Incentives

# PRINCIPLE 2

## Signatories' governance, resources and incentives support stewardship.

### Activity

Signatories should explain how:

- Their governance structures and processes have enabled oversight and accountability for effective stewardship within their organization and the rationale for their chosen approach;
- They have appropriately resourced stewardship activities, including: -
  1. Their chosen organizational and workforce structures;
  2. Their seniority, experience, qualifications, training and diversity;
  3. Their investment in systems, processes, research and analysis;
  4. The extent to which service providers were used and the services they provided; and
  5. Performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making.

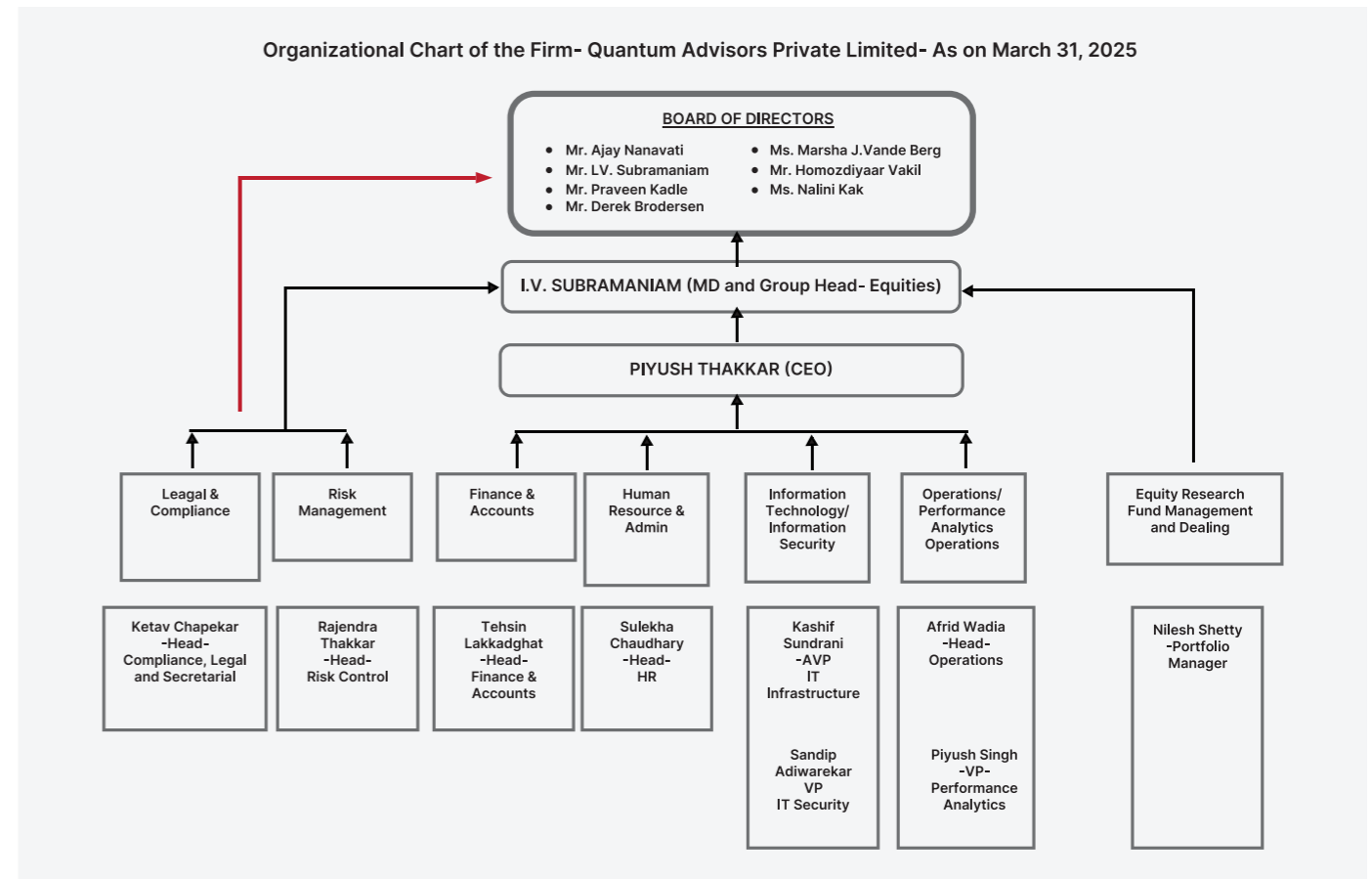
### Outcome

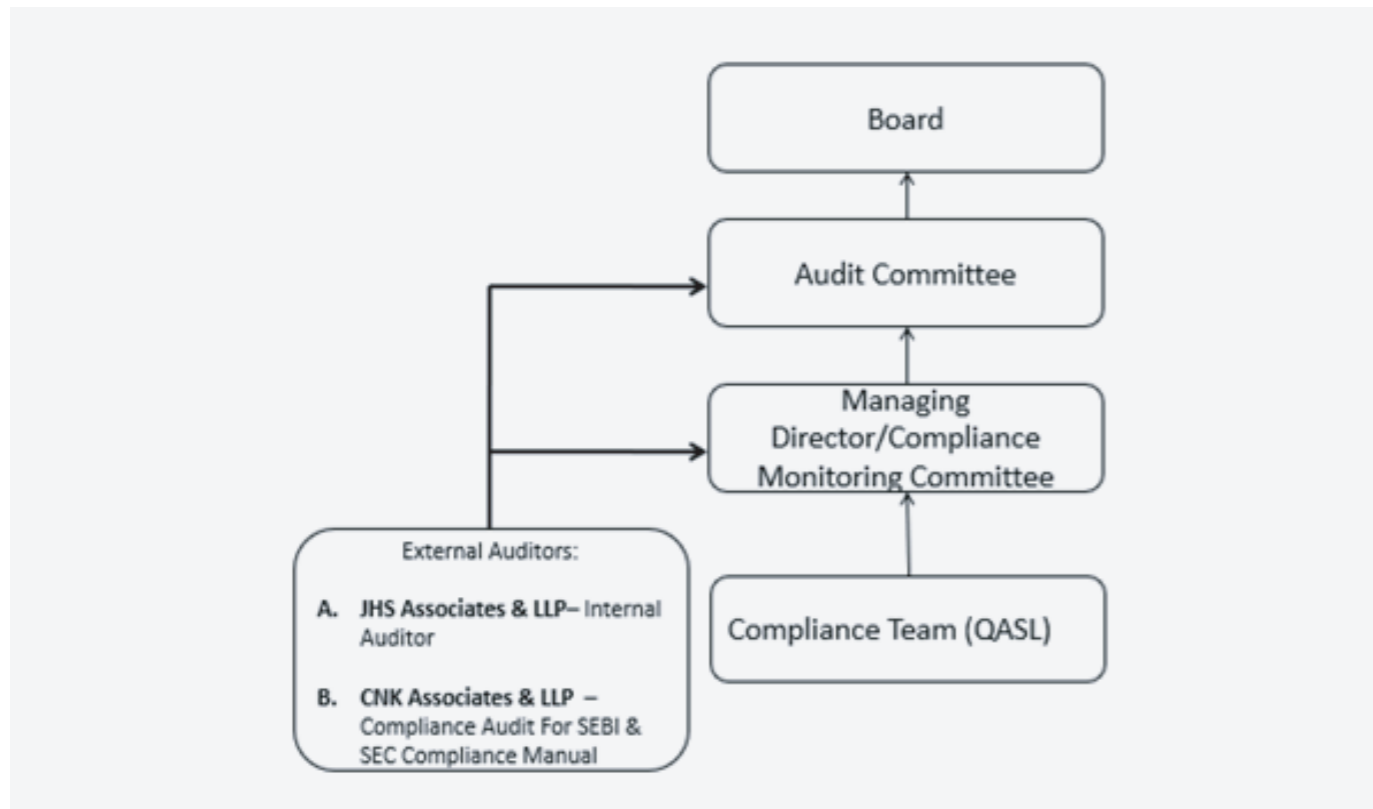
Signatories should disclose:

- How effective their chosen governance structures and processes have been in supporting stewardship; and
- How they may be improved.

### Current governance structure

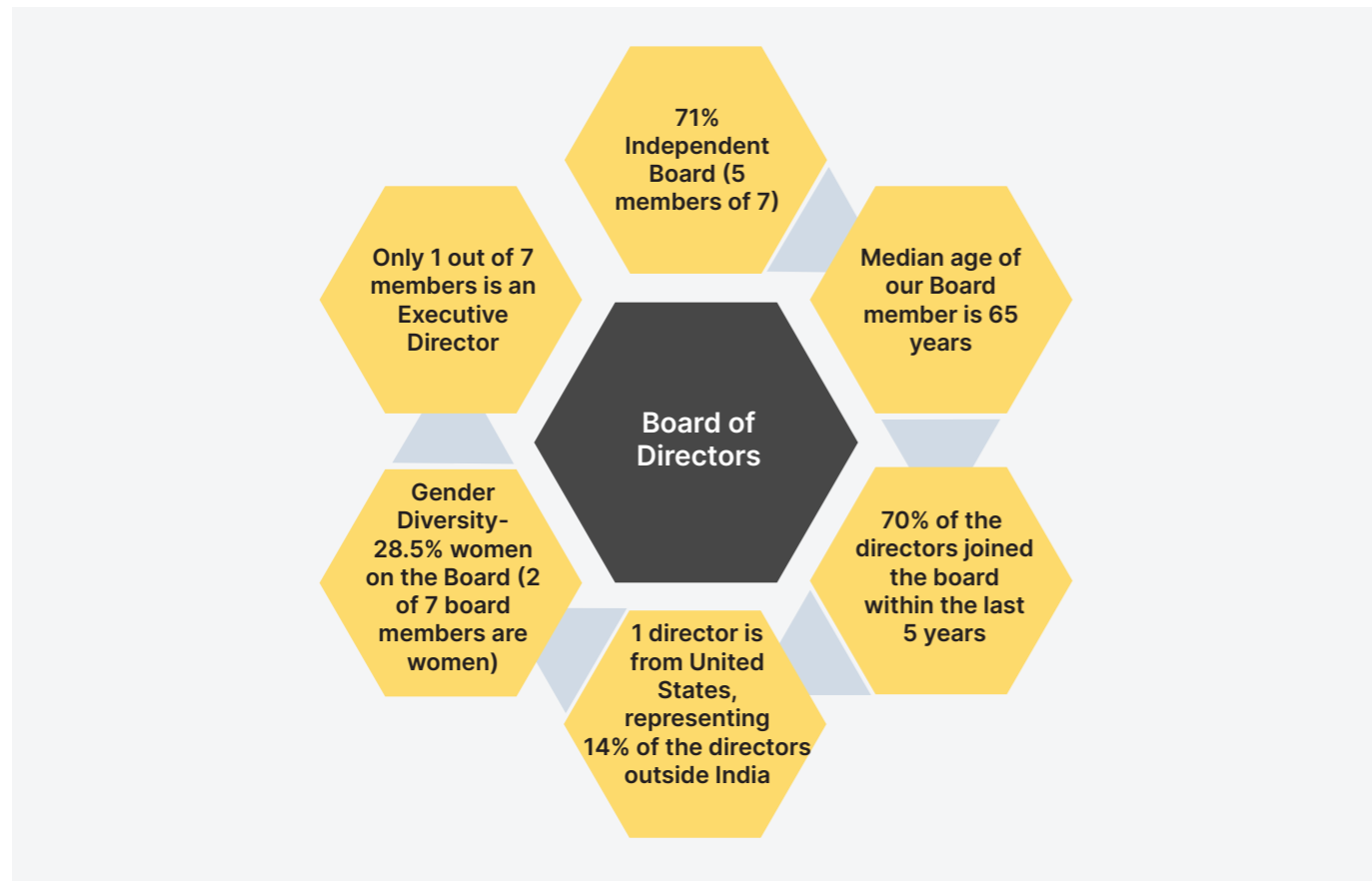
Sound corporate governance serves as a foundation that supports responsible business practices across diverse areas - financial reporting, ethical conduct, compliance record, environmental stewardship, community relations, and employee wellbeing.





To ensure high levels of client trust, Quantum strives to maintain a strong board structure, independence in substance and diverseness in skillsets, gender, and competency, who guide,

advise, and monitor our senior management. The board is ably supported by robust compliance monitoring and risk management systems to maintain oversight on governance matters.



## How the board oversees and enables effective stewardship

At Quantum Advisors, the institutional clients have retained their right to vote while Quantum provides them with its view and recommendation on the resolutions. Quantum does engage with the portfolio companies for any pertinent issues. We have a two-pronged approach for overview on our stewardship activities. The board has appointed a Compliance Monitoring Committee (CMC), which reviews the stewardship reporting activities. The investment team’s research analyst reports to the compliance team which further reports to the CMC in case of any exceptions.

This multi-tier review system—analyst → compliance → CMC → Board—ensures that stewardship decisions are not only well-governed but also subject to independent oversight. The CMC’s findings and board feedback directly provides guidance on our stewardship and proxy voting policies that are reviewed annually. This structure reflects Quantum’s philosophy of proportionate governance: strong internal controls with lean, efficient committees suited to an emerging-market investment manager.

### Compliance Monitoring Committee (CMC)

Quantum Advisors under the direction of the board has set up a CMC with a view to monitor the implementation of applicable statutory requirements, code of ethics and other policies and procedures for the compliance related matters. The compliance team led by firm’s Chief Compliance Officer (CCO) has formulated a monitoring plan to review and test the effective implementation of these policies and procedures and submits its report to the CMC on a quarterly basis. The CMC, presently consisting of the Chief Executive Officer (CEO), Head-Risk Control and the CCO of the firm, meets once in a quarter to review the compliance monitoring report. The CMC after its review of the compliance monitoring report apprises the board of any exceptions.

For Quantum Mutual fund, the subsidiary, the voting and engagement activities are monitored and reviewed by their compliance team. After due discussions in the investment committee meetings, the report prepared by the compliance team along with necessary justification are tabled in the board

meeting for review and discussions. This ensures board oversight on stewardship activities.

### 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. Quantum’s Proxy Voting Policy can be access from the following link:

[Quantum Proxy Voting Policy](#) (Last updated on 31st October 2024)

#### ► 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). We will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant clients' best interest. 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 endeavour to comply with the relevant guidance/s issued by SEC from time to time in this regard.

When voting a proxy, we will generally follow our voting guidelines. We attempt to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between us and a client, we will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests.

## Reason for the chosen approach

As mentioned above, Quantum has adopted a multi-tier stewardship system—analyst → compliance → CMC → Board. This tiered structure enhances oversight by promoting rigorous review at each level, reducing the risk of errors or bias, and ensuring that our stewardship activities are consistently aligned with fiduciary duty, internal policies, and all regulatory requirements. This approach is designed to build confidence among stakeholders and maintain the highest standards of responsible asset management.

### Appropriately resourced stewardship activities

#### 1. Their chosen organizational and workforce structures

Quantum has a multi-tier stewardship system which follows the following process:

Investment & Research analyst → Compliance committee → CMC → Board

Our process ensures that stewardship decisions are not only well-governed but also subject to independent oversight. The CMC's findings and board feedback directly inform updates to our stewardship and proxy voting policy each year. This structure reflects Quantum's philosophy of proportionate governance: strong internal controls with lean, efficient committees suited to an emerging-market investment manager.

The Investment & Research Team follows [Quantum's Stewardship Code](#) (Last updated 31st October 2024) while conducting client engagement. The code outlines our processes directly applicable to our stewardship activities. It also fosters accountability to investors, shareholders, and other stakeholders, while also prioritizing sustainability through stewardship. Further our investment policies entrust the responsibility for stewardship on the respective portfolio managers. The portfolio managers adhere to the stewardship policies, initiatives, engagements with companies, and proxy voting. Additionally, the risk and compliance team ensure the effectiveness and proper implementation of the stewardship policy and investigates any potential conflicts of interest that may arise from our stewardship activities.

Quantum adopts a team-based approach that combines qualitative and quantitative fundamental analysis to actively build and monitor portfolios. Portfolios are managed with a calibrated, long-term risk orientation, supported by defined internal controls and documented contingency procedures for periods of extreme market volatility. Risks such as sectoral bias, stock concentration, and liquidity are continuously monitored and mitigated through the firm's Investment Risk Mitigation Framework.

This organisational structure ensures a clear chain of responsibility—from analyst to Board—supported by transparent reporting lines, defined escalation routes, and robust oversight of stewardship and investment activities.

## 2. Their seniority, experience, qualifications, training and diversity

Please refer below about our current portfolio team

Quantum has pedigree of senior investment managers, who drives investment strategy effective strategy across the group.



**Mr. Ajit Dayal**  
Founder of  
Quantum Advisors  
India

Ajit Dayal - Founder of Quantum Advisors India (QAS), has over 40 years of experience in the Indian capital markets and 7 years of global experience, including 4 years as the Lead Manager of the Vanguard International Value Fund. As a pioneer in Indian capital markets, Ajit was voted #1 Indian Equity Analyst by "Asia Money" in 1993 and 1994 and voted to the All-Star Asian Team by "Institutional Investor" in 1994.

In 1990 he founded Quantum with a goal to help the Indian financial markets move from a lower level of orbit to a higher level of orbit – and to ensure that investors (foreign and local) were able to participate in the profits from such economic growth. Having been burnt by investments in companies run by crony capitalists in the early 1990's Ajit pioneered the introduction of a proprietary Integrity Screen in 1996 to sift out the Indian equivalents of Enron, Worldcom, Yukos, and Wirecard from client portfolios.



**Mr. I.V. Subramaniam (Subbu)**  
MD and Group Head –  
Equities of Quantum  
Advisors India

I.V. Subramaniam (Subbu) – MD and Group Head – Equities (QAS India), has 33 years of experience in the Indian capital markets including 4 years in global equity research. Subbu is a CFA Charterholder. Since June 2000, Subbu has managed India-dedicated portfolios for India-based clients. Since 2005, he has managed India-dedicated portfolios for international clients.

Subbu began his career in 1989 and gained experience in capital markets in the area of broking, registrar and stock trading. With a deep desire to do equity research and be part of a team that places "Client interests first", Subbu joined Quantum in 1996 endorsing Ajit's ambitions for Quantum India to help the Indian financial markets move from a lower level of orbit to a higher level of orbit – and to ensure that investors (foreign and local) were able to participate in generating sensible, risk-adjusted returns from India's economic growth. Subbu is a CFA Charter holder.



**Mr. Nilesh Shetty**  
Equity, QAS  
(2009)

Nilesh Shetty (2009) – Equity, QAS, Nilesh Shetty has over 20 years of experience in the Indian capital markets as an Analyst and Portfolio Manager. In addition to being Quantum’s primary analyst for Capital Goods, Insurance and Aviation, Nilesh is a senior member of the portfolio team and manages portfolios for international clients. Prior to joining Quantum, Nilesh worked for 2 years at Edelweiss Capital as an analyst. He is a CFA Charterholder and a Chartered Global Management Accountant, having completed CIMA (UK).

He is responsible for leading engagements and driving stewardship for Value strategy.



**Mr. Chirag Mehta**  
Chief Investment  
Officer (CIO), QAMC  
(2006),

Chirag Mehta- Chief Investment Officer (CIO), QAMC (2006) is currently the Chief Investment Officer (CIO) at Quantum Asset Management Company, a wholly owned subsidiary of Quantum Advisors. He joined the Quantum group in 2006. He has two decades of experience specializing in asset allocation, equities and alternative investment strategies. He currently manages the Quantum India ESG Equity Fund, and Quantum Ethical Fund, the first Indian fund to incorporate both Jain and Shariah principles of investing. Additionally, he also manages funds in the small cap fund, multi asset, Equity Fund of Funds (manager selection strategy) and Gold Funds. Chirag spearheads Quantum’s efforts in the world of responsible investment and extensively engages with the Government, policymakers and companies to further sustainable finance in Indian markets.

Chirag has been formerly ranked as the 4th best performing Fund Manager in the world under the age of 40 by Citywire in 2017. He is a qualified CAIA (Chartered Alternative Investment Analyst). Academically holds his Master’s in Management Studies in Finance from Mumbai University. Chirag recently was nominated for Stewardship award at ICGN 2024 London.

**Research and Investment team:**

We consistently aim to recruit qualified and experienced professionals who will echo our values and contribute to enable to our common goals.

Our current equity research team is of 32 members currently with expertise across sectors & diverse backgrounds. Not only top leadership team but all

members are encouraged to meet companies and engage with them on various issues right from strategy, finance to environmental, social & governance practices. We have a mandate to meet companies before we invest followed by meetings every 6 months.

We believe that any investment or a potential investment in any company is thoroughly analysed through engagement and stewardship. Hence, it is

the core responsibility of analysts to meet companies under their coverage. Analysts are encouraged to build their view on companies, encompassing all the material traits of the company that get reflected in their analysis, when presented and debated in the research meetings in presence of other analysts and portfolio managers to build a well-informed consensus around the issue.

**3. Systems & resources**

Collaboration is key to our process. Our investment team shares knowledge and experience, continuously refining our analytical frameworks and company analysis. This collaborative spirit strengthens our stewardship practices.

Quantum manages stewardship through a structured and documented process supported by dedicated systems and oversight. All engagements, proxy votes, and ESG interactions are recorded in an internal stewardship log maintained by the research and compliance teams. We have subscribed to external data providers like Bloomberg, and ACE, which we use extensively for building consensus estimates, and sustainability metrics.

Further, data from such providers and company reports feed into internal database, which is tracked by the CMC to verify if it is in line with the stewardship and proxy voting policy. We use extensively the external databases for consensus estimates, and sustainability metrics.

Quarterly, the compliance team reviews the records for completeness and alignment with policy requirements and presents a summary of findings to the CMC. These insights feed into analyst appraisals, stewardship training, and policy revisions.

During the FY’25, Quantum launched an online stewardship dashboard, to track company engagement on a real time basis. It also serves as the database for accessing the outcomes of historical stewardship activities conducted by the Quantum. These records can be accessed by the compliance monitoring committee to ensure the stewardship processes are properly implemented.

As mentioned above our equity team of analysts and fund managers conduct company meetings at least twice a year to discuss governance and ESG topics. Similar processes exist across fixed income and multi-asset teams, ensuring stewardship coverage across asset classes. Every year, the research team is apprised of the stewardship and proxy voting requirements of clients. During, FY’25, 100% of the investment and research team was trained on stewardship activities.

The new joiners are also introduced to Quantum’s stewardship policy. As a policy, every analyst meets the portfolio companies twice a year, as part of engagement process. Collaboration and data sharing between investment and ESG teams ensure that insights are consistently integrated into investment decisions and engagement follow-ups.

This systematic use of data, technology, and review cycles ensures that stewardship activities are evidence-based, auditable, and continuously improved.

**Internal resources for the various asset classes**

**Equity asset class resources** - The equity research team consists of 32 employees including research analysts & fund managers. They cover the companies on regular basis, keep industry level oversight, meet company management, conduct macro level analysis & channel checks.

**Fixed income resources:** The Fixed income team consists of 3 employees including analysts & fund manager, who conduct macro research, bond market analysis & dealing. The findings and outlook of the team forms part of our monthly newsletters which is sent to our investors. As part of Fixed income strategy, we have a strategy that only invests in Indian sovereign bonds.

**Multi asset fund resources** - The Multi-asset fund team consists of 2 analysts and a fund manager, who look at asset allocation, research & portfolio management. The stewardship of each of the asset class is managed in accordance with the details mentioned in foreword/principle.

#### 4. The extent to which service providers were used and the services they provided

Currently, we use our own proprietary research process, however, at times we rely on specialized agencies to help us on our stewardship activity. We use voting recommendation providers from agencies such as Institutional Investor Advisory Services (IIAS) and Stakeholder Empowerment Services (SES) that are directly or indirectly helping us in our stewardship activity. To ensure informed decision-making, we leverage a combination of internal and external expertise.

Our proprietary research processes are fuelled by insights from leading specialist research providers. This includes financial, ESG, and thematic research. Additionally, we utilize specialized and customizable systems like Bloomberg to track and monitor our stewardship activities. Quantum's inhouse equity and research teams collaborate with management of the investee companies and participates in the roundtables and industry leading group conferences

#### 5. How performance management or reward programmes have incentivized the workforce to integrate stewardship and investment decision making

##### Incentives & remunerations

At the beginning of the year, the reporting managers engage with their team members in setting goals or Key Result Areas (KRAs) with assigned weight for each KRA at the beginning of the year, that are aligned to the organizational goals and adhering to highest governance standards. All direct engagements with our portfolio companies is one of the KRAs for the investment research teams and is considered in the performance evaluation. This makes our research process more efficient. Depending on the roles of an individual, the weightage in the overall KRA and linkage of remuneration to stewardship & engagement is in the range of 30-50%.

At Quantum we thrive in achieving ESG and stewardship commitments.

#### Outcome

##### How effective their chosen governance structures and processes have been in supporting stewardship

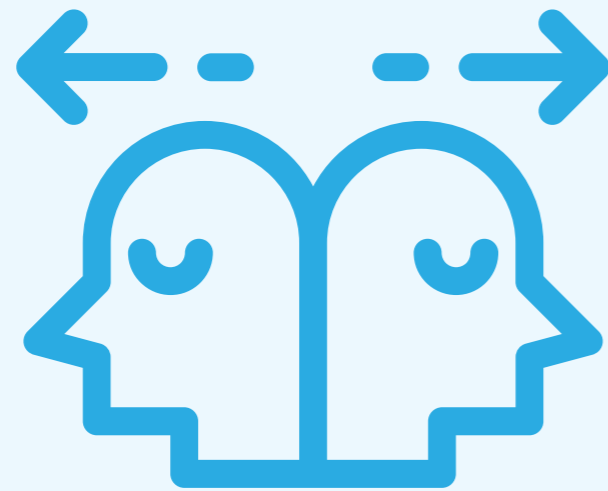
At Quantum, we believe that we have strong governance structure in place which is regularly reviewed by the internal team, compliance monitoring committee and reported to the Board as may be required. Quantum constantly reviews new regulations to ensure its compliance with laws but also with the best global practices in areas of governance and sustainability as essential. We are associated with global coalitions like ICGN, WDI to guide our understanding on many complex and emerging issues on governance and sustainability. We also interact with bodies like ACGA, AIGCC, CDP, ISSB to further evolve our thought processes on governance and sustainability matters.

##### How they may be improved

Our current governance structures are reviewed by the board of and our clients on a recurring basis. Now that reports are publicly available, we can review the quality of governance and reporting from other investment managers and look for potential improvements.

Quantum is committed to maintain best standards of stewardship. To achieve this, the new joiners are apprised of Quantum Stewardship Policy and the stewardship requirements. Additionally, Quantum conducts stewardship training sessions for the Equity Research Team annually. During the FY'25 100% of the Equity Research Team was trained on stewardship code

We also track results of the results of our stewardship training. the stewardship training contributed to a rise in the proportion of one on one meetings with company managements, increasing to 28% in FY'25 from 26% in FY'24. This reflects an enhancement in the quality and depth of such engagements during the year. During FY'25, Quantum had 501 meetings with company management ranging from ESG topics to overall internal financial matters.



## PRINCIPLE 3

### Conflicts of Interest

## PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

### Context

Signatories should disclose their conflicts policy and how this has been applied to stewardship.

### Activity

Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

### Outcome

Signatories should disclose examples of how they have addressed actual or potential conflicts.

### Identifying and managing conflict of interest

A conflict of interest is defined in the said guidelines as a conflict which arises in any area of the firm's business in the course of providing its services to its clients which may benefit the firm or its associated persons whilst potentially materially damaging the interest of its clients to whom the Firm owes a duty to be fair and transparent.

There may be a conflict where the firm or an associated person of the firm:

- is likely to make a financial gain (or avoid a loss) at the expense of the firm's clients.
- is interested in the outcome of the service provided to the firm's clients where the interests of the firm are distinct from that of its clients.
- has a financial or other incentive to favour the interests of one client over another.
- receives money, goods or services from a third party in relation to services provided to the client other than standard fees or commissions.

While performing the stewardship activities, the firm identifies any conflicts that exist between the interests of the firm and its clients. It does so by reviewing the relationship of the firm with the investee companies to determine:

- If the firm or any of its employees or funds sponsored or managed by the firm has any financial, business, or personal relationship with the investee company or
- Whether the investee company is a group or associate company of the firm or
- Whether the investee company has investments in the funds sponsored or managed by the firm

Quantum has formulated an appropriate conflict of interest policy. The link can be accessed from below:

[Quantum Conflict of Interest Policy](#) (Last Updated on 31st October 2024)

In this policy, the firm has sought to identify conflicts of interest that exist in its business and has put in place measures it considers appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on its clients.

The main features of our current conflict of interest policy are:

- Fair treatment of clients & no discrimination against them
- Avoidance of conflict of interest with the client and primacy of clients' interest
- Reducing the opportunities for conflict through perspective measures
- Appropriate restrictions on transaction in securities by employees & directors

- Appropriate disclosure to clients of potential areas of conflict of interest
- Managing flow of information within the firm to ensure privacy & confidentiality of information of clients
- Controlling & restricting flow and use of material non-public information

### Identifying & managing potential conflicts related to stewardship

- In voting proxies, the Firm identifies any conflicts that may exist between the interests of the Firm and the client by reviewing the relationship of the firm with the issuer of each security to determine if the firm or any of its employees has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, the CCO discloses the conflict to the affected clients, give those clients discretion to vote, or to vote according to an independent third-party voting recommendation.

### Examples of potential conflicts of interest include the following

- 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;
- 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).
- 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.

- Personal transactions in securities by employees and the directors are allowed only in accordance with the "Firm's Guideline for Personal Securities Transactions". These guidelines ensure that personal investments are managed appropriately to avoid conflicts of interest and the firm and its employees do not take advantage of the firm's or their own position of trust with and responsibility to clients for the benefit of anyone other than the clients. Under these guidelines, generally no approval is granted for requested transactions to trade in securities which:
  - Are forming part of the client portfolios
  - The portfolio management team intends to trade for clients in next 15 days.
  - Form part of the analysts priority list issued by the research team and which are being researched for clients
  - Has been traded by the firm for any of its clients at any time during the last 15 trading days
  - Are shares of listed companies in India whose average daily trading volume in the Indian equity markets in the preceding 12 months is USD 1 million or above
- Quantum Advisors may direct its clients to invest in funds launched by its affiliate; Quantum Mutual Fund (QMF). Because of this relationship with QMF, the firm faces inherent conflicts of interest in having its clients to invest in QMF affiliated funds, in lieu of other funds not affiliated to it. To address the conflict of interest the firm ensures that its funds are suitable for the clients' investment goals and that such conflicts are discussed and communicated with the client. Also, the clients do not bear "double" fees in connection with their investments in QMF affiliated funds.
- In case the firm pays any commission /expenses to solicitors or distributors who market the firm's advisory services, the firm

makes appropriate disclosures to the clients in accordance with applicable laws and regulations.

- The CCO or the designated officer reviews the trades in each client account on a daily and monthly basis to ensure that all clients are treated fairly, no client is being given preferential treatment and that the investment actions taken for each account are suitable for the account's investment objectives.
- No employee can acquire, either directly or indirectly, financial interests in an organization (except investment in publicly issued or listed equities in accordance with the firm's personal securities transaction policy) with which the firm does business without prior disclosure and approval of HR &

CCO. The employees periodically declare any financial interest in other organization / entity with whom the firm is having business relationship or proposes to engage into any business relationship.

- No employee can receive or provide gifts from/to any client or the service provider except in accordance with the Quantum's gift & entertainment policy. This policy promotes transparency and prevents conflicts of interest. The policy requires a record of all gifts received above the cap of ~\$20 to be maintained, and any potential violations are reported to the CCO.
- All employees are mandatorily required to provide following quarterly and annual declarations addressing the specific issues of potential conflict of interests which helps us to identify and manage conflicts of interest:

Declarations	Issues sought to be addressed
Code Of Ethics and Compliance Policies and Procedures	Upholding the best practices and standards of ethics and procedures.
Certification of Compliance	Confirmation of compliance of and adherence with the applicable policies and procedures
Statement of Holdings & Statement of Transactions	Declaring all the securities transaction and holdings held by the employees to ensure that no insider trading and front running activities are carried out.
Declaration of Insider	Details of all business, financial or personal relationships with an (insider) of a company
Declaration of 'Fit and Proper Person'	Integrity, honesty, ethical behaviour, reputation, fairness, and character and financially sound.

## Outcome

### Signatories should disclose examples of how they have addressed actual or potential conflicts.

Throughout FY'25 we had no breaches of our conflicts of interest policy and there were no unmanaged conflicts identified. Quantum will continue to maintain high standards of integrity in its business conduct. Although, there were no breaches during the year, the examples of addressing potential conflicts are mentioned below:

#### HDFC Bank

In the reporting year Quantum continued its existing banking relationship with HDFC Bank as a banking partner to administer the salary accounts of its employees. It may also be noted that we hold HDFC Bank currently in our portfolio across our funds. The potential conflict of interest is curtailed by the finance/payroll departments being completely independent of the investment team. It may be noted the investment team invests in companies after thorough analysis by the research team and the company meetings, and only once the stock is available below our BUY threshold as per internal analysis. HDFC Bank being a service provider, has no bearing on the investment decisions taken by the investment team.

#### ICICI Securities

Quantum has empanelled ICICI Securities for their broking services. It may be noted that we had filed a legal case against the company's merger resolution with ICICI Bank (Holding Company) due to their unfavourable swap ratio for minority shareholders (elaborated in detail in Principle 11, [Page No. 86](#)). The outcome of the litigation came out in FY'25. This is a stark example of our unbiased & shareholder-centric approach, even against our service provider.

#### Investors in the same pedestal

Quantum is of the view that all the investors are in the same standing, be it a retail investor with GBP 500 investment or an institution with an investment of GBP 50 million. In accordance with this belief, the investment style is consistent across the board and the capital allocation mirrors the same, barring cases where the investor has a mandate of not investing in certain sectors. We make every effort to treat all our clients in a fair and impartial manner. For the client accounts that are managed using the same strategy, the portfolio returns for each account reviewed by the compliance team on a monthly basis to check if the returns are consistent across all accounts. If there is any deviation beyond the permissible limit compliance team seeks and obtains clarification from the portfolio managers and reports to compliance monitoring committee.

#### Reporting on stewardship activities

A report on the implementation of stewardship activities including how the conflicts of interest (if any) were managed is provided upon request from clients. The voting exercised along with a specific rationale supporting the voting decision and a summary of the voting cast is also disclosed on Quantum's website. Quantum AMC's voting records for FY 2025 can be access from the below link:

[Quantum AMC Proxy Voting Records](#)



# PRINCIPLE 4

## Promoting Well Functioning Markets

## PRINCIPLE 4

**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system**

### Activity

Signatories should explain:

- How they have identified and responded to market-wide and systemic risk(s), as appropriate;
- How they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;
- The role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and
- How they have aligned their investments accordingly.

### Outcome

Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Risk management is critical to Quantum Advisors as it helps to identify, assess, and manage potential risk that could impact company's financial performance, reputation and ability to meet our client's investment objectives. As an investment firm, Quantum's mandate is to invest the capital of our clients for sensible long-term returns.

At Quantum, our portfolios are built on sound investment principles and follow a disciplined investing process. Our investment philosophy and strategy involve the use of intensive qualitative and quantitative fundamental analysis, to build and monitor our clients' portfolios actively. We control risk by applying valuation and governance metrics to evaluate investment opportunities, while at the same time avoiding excessive trading and to control risk by endeavouring to keep our clients'

portfolio adequately diversified, both in terms of the sectors included in those portfolios, as well as with respect to the level of concentration in any specific security. We believe our focus on a combination of stock liquidity, corporate governance, valuation, in house research and focus on long term remains unique to the investment landscape in India.

In our experience we have witnessed that investors do sometimes ignore one of the above constituents while investing in India. It may work in the short term when risk aversion is low but may do significant long-term damage to their portfolio if risk increases.

**Risk identification process across various asset classes is mentioned below:**

**Equities:** We follow long-term capital appreciation by investing in listed, liquid, high governance, valuation driven, sustainability focused equity shares that are able to benefit from the anticipated growth and development of the Indian economy.

We integrate four key macroeconomic variables, provided by our macro-economic team, into our long-term assumptions: GDP growth, inflation, 10-year bond yields, and foreign exchange rates. For example, cement industry volumes have historically grown at roughly 1.2x real GDP growth over extended periods. We use various data sources from IMF, World Bank, WTO and RBI, media articles, etc. to identify macroeconomic risks and trends which may have an impact on our investments. These indicators are tracked on a regular basis. The investment team consisting of fund managers and analysts closely monitor the risks and monthly reports them to the compliance monitoring committee.

Forex assumptions influence earnings for export-oriented sectors, while inflation plays a critical role in driving pricing growth. After incorporating such industry-level factors, we adjust for company-specific factors like regional demand-supply dynamics and competitive intensity. In case of Banks, we take into account RBI directives and monitor relevant metrics like Repo rate, Reverse Repo rate, Bank rate and Cash Reserve Ratio which can materially impact our coverage banks.

**Fixed Income:** We do consider geopolitical risks & its impact on bond markets and adjust our portfolio duration accordingly

**Multi-Asset:** We address geopolitical or other risks through diversification & through adjusting asset class weights, to reflect risk-return expectations appropriately.

## How they have worked with other stakeholders to promote continued improvement of the functioning of financial markets;

We collaborate with regulators on varying market issues but not limited to the upliftment of minority shareholders, adoption of stringent ESG standards, and froth in market. The FY'25 example of collaboration with stakeholder for improvement of functioning of markets is mentioned below:

### Case Study

#### Context

The investment landscape in India has drastically changed over the years. With increasing investments into stock markets, individuals seek higher returns. When considering investment options in India, many find themselves at a crossroads. **Mutual Funds** offer accessibility and diversification, but their broad market exposure might not align with every investor's desire for more complex or aggressive strategies. On the other hand, **Portfolio Management Services (PMS)** and **Alternative Investment Funds (AIFs)** provide tailored and higher-return potential

strategies, but it comes with standard **minimum investment requirements** (45,000 GBP for PMS and 90,000 GBP for AIFs). This leaves a gap for investors who have accumulated a higher corpus for investments, for example 9,000 GBP and looking for something beyond mutual funds without the entry barriers of PMS or AIFs.

India's market regulator Securities and Exchange Board of India (SEBI) took note of the gap between Mutual Funds and PMS in terms of portfolio flexibility, creating an opportunity for a new investment product. To bridge the gap, the regulator introduced a new product- Specialized Investment Fund (SIF) in February 2025.

#### Engagement

Quantum was part of the committee instituted by SEBI to draft regulations revolving the SIF. The product allows mutual funds to launch schemes involving Long & Short derivatives across Equity, Debt and Hybrid. Given the riskier strategy, Quantum's engagement with the committee involved the introduction of guardrails that would insulate the investors from unaccounted risk and thus protect their wealth.

#### Outcome for the above engagement

SEBI introduced several guardrails/thresholds for different schemes. These thresholds are enumerated below:

##### 1. Equity-Oriented Strategies

- **Equity Long Short Fund** - Minimum 80% in equities and equity-related instruments, with up to 25% unhedged short exposure via derivatives.
- **Equity Ex Top 100 Long Short Fund** - At least 65% in stocks outside the top 100 by market cap; up to 25% short derivative exposure.
- **Sector Rotation Long Short Fund** - 80% in up to 4 sectors, with a 25% short exposure allowed at the sector level.

## 2. Debt-Oriented Strategies

- Debt Long Short Fund - Invests in various debt instruments; can take unhedged short positions through debt derivatives (typically weekly redemption frequency).
- Sectoral Debt Long Short Fund - Focuses on at least two debt sectors, with a 75% limit per sector; can take short positions up to 25% of NAV in debt.

## 3. Hybrid Investment Strategies

- Active Asset Allocator Long Short Fund - Dynamically allocates between equity, debt, derivatives, REITs/InvITs, and commodities; allows 25% short exposure.
- Hybrid Long Short Fund - At least 25% each in equity and debt, with up to 25% short exposure.

These guardrails introduced by SEBI help safeguard investors in managing their risks within their broader investment strategy.

## The role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness

Quantum has been flagbearer of minority shareholder rights. There have been several instances where we have taken actions against misgoverned companies towards protecting minority shareholder rights.

## Case Study

#### Context

We had filed a case against ICICI Bank in relation to its merger with its subsidiary, ICICI Securities on account of unfair share exchange ratio which was prejudicial to minority shareholder rights. We have elaborated further in Principle 11 ([Page No. 86](#))

We acknowledge that individual action against large corporates may not lead to fruitful results primarily because of miniscule shareholding held in the entities. Therefore, Quantum has been an advocate for collective action of asset managers against misgoverned companies to achieve satisfactory outcomes and uphold minority shareholder rights. To achieve this cause, we have time and again engaged with other asset managers and regulators.

#### Engagement:

During FY'25, Quantum engaged with the Mutual Fund industry body viz Association of Mutual funds of India (AMFI) and the leading mutual fund houses, to launch a platform where the asset managers can come together to raise their voice against issues of prejudice to minority shareholders. The discussion centred upon collective action against cases of unfair treatment towards minority shareholders for cases like ICICI Securities and ICICI Bank merger (mentioned above). This proposal would hold the companies accountable of their actions and thus lead to betterment of markets

#### Outcome for the above engagement

The mutual fund industry could not reach consensus, and such collaborative platform still remains to be introduced which we will continue to pursue with the industry body.

## How they have aligned their investments accordingly

Below are examples of long-term and systemic risks identified by Quantum, along with the corresponding mitigation measures.

Risk	Risk Type	Details	Risk Mitigation Measures
<b>Geopolitical risk</b>	Market-wide	<p>Continued elevated levels of political uncertainty worldwide and large geopolitical shocks can have adverse consequences on the economy and disrupt markets which eventually lead to the slowing of economic growth and recessionary periods.</p> <p>The Russia – Ukraine conflict and the recent Israel Gaza conflict led to supply chain disruptions, increased freight costs and oil prices which impacted India and certain sectors and companies adversely.</p>	<p>We track all our investment companies' geographical exposure. If we come across any geopolitical issues which can affect the company directly or indirectly in their supply chain, we discuss with the management and if necessary even write to the board seeking necessary risk mitigation strategies. We may also divest our holdings if we believe that the company is not undertaking adequate risk measures.</p> <p>For example : During the reporting year We took into account the effects of Russia Ukraine war on our coverage companies. As a part of our research &amp; investment process, we factored in the war-time decision of India to purchase of Russian Oil which was at a discount to global crude prices. Accordingly, the ascribed benefit from the purchase of Russian Oil was considered in our internal forecasts of coverage companies which had an impact on the investment decisions.</p>
<b>Green-washing risk</b>	Systemic Risk	<p>Greenwashing is the process of conveying a false impression or providing misleading information about how a company's business / products / services are more environmentally sound. We understand there are many "greenwashing" incentives for companies from brand building to attracting investment flows.</p>	<p>We understand that ESG is not a "tick the box" desk research. We do not restrict the research to self-declared company disclosures.</p> <p>We do a 360-degree company check by talking to various stakeholders like suppliers, vendors, customers, channel checks, employees, etc. to get more information to get a granular understanding of the true state of the company's affairs. Additionally we also verify the information with other available data and map with other companies in the sector and globally to identify any red flags.</p> <p>We also try to get information from unorthodox sources like pollution control boards, NGOs, local communities in our bid to leave no stone unturned</p> <p>Our research also includes analysis of trends in company's green capex to gauge the seriousness of its climate commitments and sustainability efforts. We actively engage with companies to get clarity on their disclosures. In cases of repeated greenwashing, we choose not to invest or divest out of such companies.</p>
<b>Climate Change risk</b>	Systemic Risk	<p>Frequent and unpredictable climate events are causing adverse impacts on resource availability, manufacturing capacity, supply chains and business operations. In addition to the short-term risks, the financial impact of climate change is compounded by longer</p>	<p>As a part of our research process, we incorporate CDP disclosures to understand the effect of climate change on company's future revenues. For companies that are major contributor to pollution, we ensure that they follow global best practices and compliant with the EU Taxonomy norms. As a conscious asset allocator, we have taken</p>

Risk	Risk Type	Details	Risk Mitigation Measures
		<p>term implications of the world economy aligning with the goals of the Paris Agreement.</p> <p>Climate change affects businesses in two major ways: through (i) physical risks and (ii) transition risks. Both risk types may alter the return profiles of exposed assets. Physical risks resulting from climate change such as extreme weather events, wildfires, droughts, and floods may have financial implications on borrowers through direct damage to physical assets or disruptions in business operations and supply chain. In addition, the transition to a low-carbon economy is resulting in regulatory, legal, technological, and market shifts.</p>	<p>the decision to invest in those companies that have superior environment metrics, thus insulating us from climate risk.</p> <p>We have a ESG research team of 8 analysts and 1 database analyst who continuously track companies' risk on climate change parameters. We rate the companies based on an internal scoring template and update our scores once every year (once in six months for portfolio companies).</p> <p>In our one-on-one engagement with companies, ESG analyst also accompanies the equity analyst to understand their strategy on physical and transition risks.</p> <p>We also maximize our efforts to ensure companies are not greenwashing their climate data and have their ears to the ground for scuttlebutt research.</p> <p>We closely monitor the energy management &amp; emission metrics of our companies. In cases of companies with the highest energy intensity and poor share of Renewable Energy, we take a call of divesting from them. During FY'25, we divested out of a multinational consumer staples company owing to its poor energy management practices and inadequate governance practices.</p>
<b>Interest rate risk</b>	Market-wide	<p>The potential impact of changes in interest rates on stock prices. When interest rates rise, the cost of borrowing money increases, which can lead to a decrease in corporate profits and, in turn, a decrease in stock prices. Conversely, when interest rates fall, borrowing becomes cheaper, and this can increase corporate profits and boost stock prices.</p>	<p>We monitor impact of risks and price it into our company valuations. We would steer clear from owning overly leveraged company, Interest rate risk in the equity market is managed by diversifying their portfolios and investing in a range of stocks with various levels of sensitivity to interest rates.</p>
<b>Asset quality risk</b>	Systemic Risk	<p>In FY 2025, IMF published a report which raised concerns about potential financial instability in India due to the concentrated exposure of Non-Banking Financial Companies (NBFCs) to the power and infrastructure sector. The report warned that high exposure of NBFCs to the power sector, which continues to face structural challenges, might be detrimental to their lending book. IMF highlighted that the co-lending model, where banks partner with NBFCs to extend credit to priority sectors, further intertwines financial institutions, increasing systemic risk.</p>	<p>We took note of the systemic risk highlighted by IMF and exited our position from an NBFC in Quantum Small Cap Fund, although the position held was small. Therefore, Quantum's decision insulated our investors from systemic risk.</p>

Risk	Risk Type	Details	Risk Mitigation Measures
<b>Market Irrationality risk</b>	Systemic Risk	Increased market participation may lead to stocks and certain segments of market being overvalued and frothy in nature. over the past few years, the Indian small and mid-cap markets have seen increased retail market participation which has led to the markets swing and frothy.	<p>Quantum is insulated from froth in the markets due to its investment philosophy long term and low churn investment. As compared to other players, we prioritize valuation over momentum, fund level liquidity and capacity guardrails to protect our investors from froth speculative excess. We also collaborate with regulators to promote the functioning of markets.</p> <p>During FY 2025 we have prudently addressed the issue of froth in markets, by ensuring that our portfolio is driven by valuation. This has ensured that we have stayed consistent with our investment philosophy. We have also been mindful of cash deployment due to froth and overvalued markets, which has resulted in increased cash levels across all our funds for larger part of the year. This has ensured that investors are insulated from market risks. We have communicated the risk of market-wide froth to our clients via monthly newsletters.</p> <p>On the institutional end, we have communicated to our clients that the valuations are stretched and there is lesser room for upside potential as per our internal models. Hence, we have requested our clients to park their investments in our funds, in a staggered and gradual manner to insulate them from the risk of over-deployment in the frothy and overvalued market.</p>

**Outcome**

**Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.**

The portfolio team is responsible for risk management at the portfolio-level. We know that our investments will always entail systemic and market risks which may or may not be in our control. We always strive to continuously assess, monitor and minimize and mitigate our overall risk profile including various ESG risks. When we can recognize risks early, we attempt to actively

manage ahead and where we can't anticipate risks, we observe and examine them as they happen. We conduct stress tests, analyse valuation metrics, characterize portfolios, perform deviation analysis, and scrutinize portfolio actions for our holdings. Our portfolio liquidity criteria limit our participation to one-third of total market volumes.

Quantum's investment process is not influenced by the weight of a sector in the benchmark index. We make stock calls based on our investment process that lead to certain sector weights. We believe that our investment process is unique as it is "team-driven" and not based on the existence of a "star" fund manager. In addition to the "team" structure, we believe that our investment process has a calibrated risk approach and a long-term orientation.

As a team, we monitor and track systemic market-wide risks at the organisational level. During the reporting period, we proactively identified and managed market-wide risks. These involved adjusting portfolio allocations based on risk assessments or engaging with companies on practices that may contribute to systemic risk. We update company reports every 6 months which includes findings from our engagement and management of market-wide risk. These are discussed internally and impact our portfolio decisions.

We value openness and proactive involvement with managements and various stakeholders to align their disclosures with the highest standards and

have continually tried to spearhead change with high transparency. On a monthly basis, we provide monthly publications to investors that update investors and clients on how their portfolio has performed. We highlight the market-wide risk factors that may have worked in our strategy's favour or not, through a detailed allocation and selection analysis.

Our approach to managing market-wide risks is rooted in maintaining high integrity standards and investing in fundamentally strong, well-governed companies. We prioritise businesses with sustainable growth drivers, prudent capital allocation, and transparent practices that enable them to withstand market volatility and systemic stress.



## PRINCIPLE 5

### Review and Assurance

## PRINCIPLE 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities

### Activity

Signatories should explain:

- How they have reviewed their policies to ensure they enable effective stewardship;
- What internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and
- How they have ensured their stewardship reporting is fair, balanced and understandable.

### Outcome

Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes

### How they have reviewed their policies to ensure they enable effective stewardship;

Our primary responsibility is to fulfil our fiduciary duties towards all clients and their ultimate beneficiaries. Keeping this in mind, Quantum 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 endeavour that investee companies exhibit best-in-class performance in all the above aspects.

Quantum's Responsible Investment / ESG policy is reviewed by the responsible investment team and the portfolio management team on an annual basis. Proposed changes need to be approved by the compliance team.

We also review our voting policies and processes annually. Quantum's Responsible Investment Policy can be accessed from the below link:

[Quantum Responsible Investment Policy](#) (Last updated on 31st October 2024)

As mentioned above, the policy was reviewed and updated in October 2024. An important part of this process was reviewing our relationship with our proxy advisors and arrive at a decision to engage two proxy advisors for all our portfolio holdings to provide their recommendations to guide our voting and help us take an active approach to voting.

We monitor and update our ESG policy through our engagement with various regulators and standard setters like FRC, ISSB, SEBI and through various collaborations like ICGN, WDI, CPI, TCFD, etc. as global standards evolve in areas of sustainability.

Quantum ensures its stewardship reporting is fair, balanced and understandable through multi-level reviews by the Investment, ESG and Compliance teams, followed by oversight from the Compliance Monitoring Committee. Each report is checked for factual accuracy, clarity and balance, reflecting both achievements and areas for improvement. External and client feedback are incorporated to enhance transparency and continuous improvement.

This internal assurance is undertaken by the research and the investment team and overseen by the compliance team. We also seek an external assurance for sustainability offerings as mandated by regulator in India and provide a disclosure of the assurance audit in the annual report.

The firm recognizes that a company's operational and sustainability practices, whether good or bad,

can accordingly 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.

Our stewardship efforts are mainly focussed on protecting and enhancing investors' assets over 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 our clients.

- ▶ Reporting on the engagement and supporting advocacy efforts to improve overall transparency and disclosure levels leading to sustainable shareholder returns.

- ▶ Continuing training 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.

Further, the portfolio managers and the research team ensures that there is effective oversight of the firm's stewardship activities.

### What internal or external assurance they have received in relation to stewardship and the rationale for their chosen approach;

Our internal assurance initiatives are designed not

only to mitigate risks but also to foster sustainability across our organization.

Safeguarding the integrity of our stewardship undertakings is integral to our organizational values, guaranteeing that our pledge to stewardship is maintained with meticulousness and probity. This assurance procedure is conducted by our research and investment division, who meet weekly to discuss on our current and potential investee companies and as necessary, come up with carefully prepared plans and deliberations to enable transparent and accountable investment decision-making.

We also review and assure our ESG integration and stewardship at the implementation level internally and on a continuous basis.

On an organizational level, the investment team reports the stewardship activities to the compliance team. The CCO has oversight on stewardship activities. A report of stewardship activities is reported to the CMC monthly. Further, the board of directors are also apprised of the stewardship activities annually. We also seek an external assurance for sustainability offerings as mandated by Securities and Exchange Board of India the market regulator in India and provide a disclosure of the assurance audit in the annual report. During FY'25, the external auditor provided the opinion that Quantum has complied with the requirement of stewardship policy as laid down by the market regulator. The declaration of assurance has been provided in Quantum's FY'25 Annual Report. The assurance is not only limited to ESG data but also includes stewardship reporting process, further reinforcing transparency and accountability.

The Quantum MF Annual Report FY'25 can be accessed [here](#).

### Rationale for the chosen approach

Quantum employs a dual assurance approach—combining internal and external reviews—to uphold its fiduciary responsibilities. The Compliance and Monitoring Committee (CMC)

leads the internal assurance process, reporting to the Board, while independent external auditors validate the stewardship framework. This two-pronged mechanism enhances accountability, transparency, and stakeholder confidence, ensuring that stewardship consistently aligns with fiduciary duty, organizational objectives, and best practices.

### How they have ensured their stewardship reporting is fair, balanced and understandable.

Quantum has ensured that its stewardship reporting is fair, balanced and understandable through a structured internal review and assurance framework. Draft reports are reviewed collaboratively by the Investment, ESG and Compliance teams to verify factual accuracy and ensure disclosures reflect both achievements and challenges. The Compliance Monitoring Committee (CMC) independently reviews the full report prior to publication to confirm that it provides an objective, evidence-based account of our stewardship activities. Each report is subjected to a plain-language review to enhance clarity and accessibility for all stakeholders. Feedback from clients, regulators and previous FRC assessments is systematically incorporated into subsequent reporting cycles to promote continuous improvement. In addition, our external auditors provide limited assurance not only on ESG data but also on the stewardship reporting process, reinforcing transparency and credibility in our disclosures.

The statement of external assurance on stewardship activities for FY25 is mentioned in our annual report which can be accessed from [Quantum MF Annual Report FY 2025](#).

Please refer to our stewardship code on : [Quantum Stewardship Code](#) (Last Updated on 31st October 2024)

For example, the proxy voting details of Quantum AMC is publicly available on [its website](#) in FY 2025.

In our internal research meetings, we thoroughly evaluate the research findings & pointers through our stewardship activity that constitute the cornerstone of our investment approach. From a stewardship perspective, we prioritize the sustainability of both, businesses in which we invest and businesses we have not invested in but cover within our investment universe. We strongly believe in the power of good governance, fundamental analysis, portfolio management, and stewardship to generate long-term shareholder value, and as such, our investment focus remains steadfast on these core pillars.

Proxy voting plays a pivotal role in our stewardship efforts, with thorough discussions held within the investment & research division to discuss our voting decisions. These decisions are then executed by the Chief Investment Officer (CIO), who oversees the implementation of our engagement strategies with investee companies. By actively participating in proxy voting and engagement activities, we aim to encourage our investee companies to prioritize longer-term initiatives that create enduring value, countering the prevailing short-termism prevalent in both society and financial markets.

In summary, we believe our approach to internal assurance of stewardship activities reflects our unwavering dedication to sustainability and responsible investing. Through good governance structures, meticulous scrutiny of investment choices, and proactive engagement with companies, we endeavour to foster a culture of stewardship that not only benefits our shareholders but also contributes to a more sustainable and equitable future for all stakeholders.

### Evaluation of effectiveness of Stewardship & Future actions

Quantum has had its fair share of success and challenges when it comes to stewardship. Indian corporates are still nascent when it comes to awareness on ESG issues. This poses a challenge when engaging with companies on sustainability concerns.

Indian corporates by nature are majorly promoter held. When it comes to shareholder resolutions, the overwhelming number of shares held by promoters means that even contentious resolutions get approval, despite opposition from public shareholders. As evidenced by the data provided under [Principle 12](#), despite Quantum's Against vote, they ended being approved. In case of ICICI Bank & ICICI Securities merger (as detailed in Principle 11, [Page No. 86](#), Quantum had raised concern on prejudice to minority shareholders owing to unfair valuation. We had also filed a legal case against ICICI Bank. However, the court pronounced the judgment in favour ICICI Bank.

Quantum engages with the management teams of investee company on a half yearly basis. Interactions are 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 uses 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 that incorporates all necessary information to arrive at an effective decision making on our investee companies and becomes the basis for our efficient stewardship with the investee companies as well. All research reports are approved by the research team.

Quantum while dealing with the investee companies, ensures compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time.

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. The research team first engages with the

company's 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 is escalated to the board members 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.

We also experienced a degree of success when it comes to company engagement. Examples of such engagements primarily related to proxy voting are covered under Principle 11: Escalation.

## Outcome

### Periodic review of the stewardship policy statement

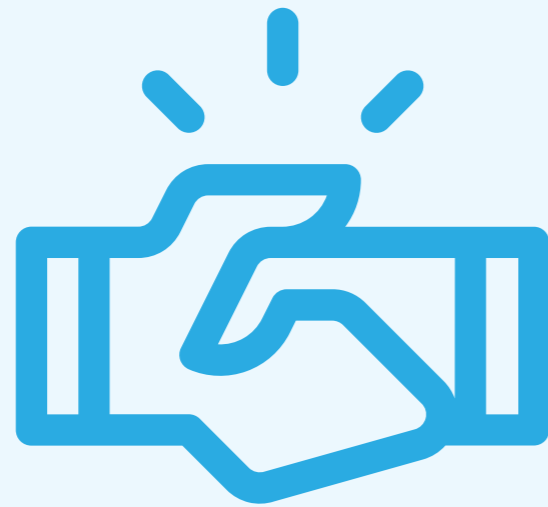
This Stewardship Policy is reviewed and updated at least annually or earlier if required and the updated policy is disclosed on the website of Quantum Advisors.

We understand the importance of accountability and transparency in stewardship. To that end, we regularly monitor and evaluate the effectiveness of our internal assurance initiatives through key performance indicators and sustainability metrics. By tracking progress against predefined targets, we identify areas for improvement and refine our strategies accordingly, ensuring that we remain balanced, fair and responsive to evolving challenges and opportunities.

### Enabling effective stewardship

The policies & assurance process has led us to improve our engagements with the companies on the sustainability issues.

We strive to better our proxy voting initiatives on a year-on-year basis. In this regard, after a thorough review, we have continued our engagement with two proxy advisors viz SES and IIAS to get additional perspectives on the proxy voting resolutions.



# PRINCIPLE 6

## Client and Beneficiary Needs

## PRINCIPLE 6

**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

### Context

Signatories should disclose:

- The approximate breakdown of: -
  1. The scheme(s) structure, for example, whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution, etc; -
  2. The size and profile of their membership, including number of members in the scheme and the average age of members;

OR

Their client base, for example, institutional versus retail, and geographic distribution; -

assets under management across asset classes and geographies;

- The length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

### Activity

Signatories should explain:

- How they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;

OR

- How they have sought and received clients' views and the reason for their chosen approach;

- How the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon;

OR

- How assets have been managed in alignment with clients' stewardship and investment policies;

- What they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information

provided, methods and frequency of communication;

OR

- What they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.

### Outcome

Signatories should explain:

- How they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries;
- How they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result;

OR

- How they have taken account of the views of clients and what actions they have taken as a result;

- Where their managers have not followed their stewardship and investment policies, and the reason for this;

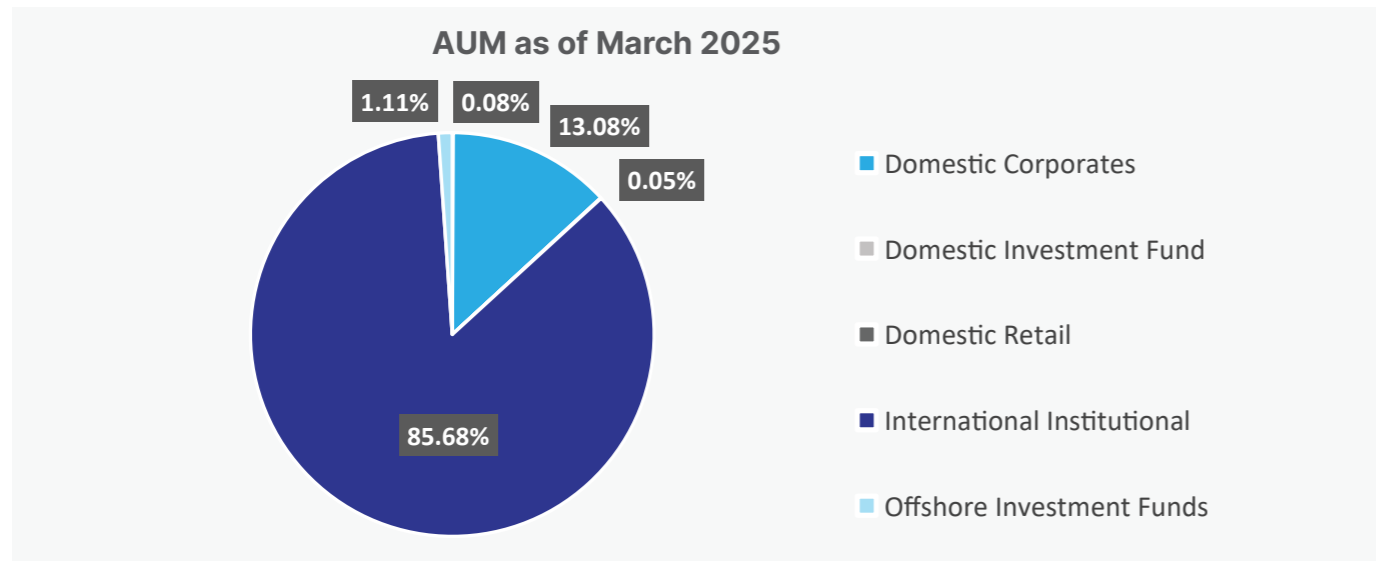
OR

Where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.

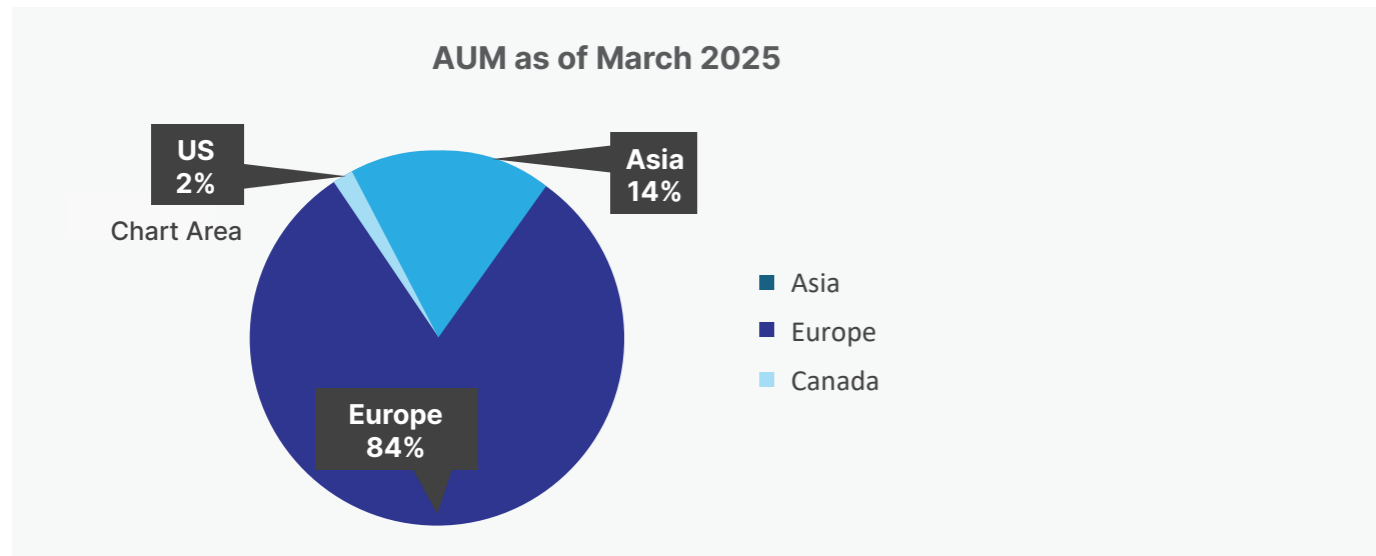
We prefer to have a direct relationship with our clients patiently develop long term relationships where we get to know each other well. Developing relationships in this manner allows our clients to understand how we think about investment and Stewardship and how we make investment decisions and hopefully results in long-term investors in our fund.

We present the breakdown of our clients' assets by geographical region and type of client below. Our client is base mainly comprises of institutional investors.

### Breakdown by investor type

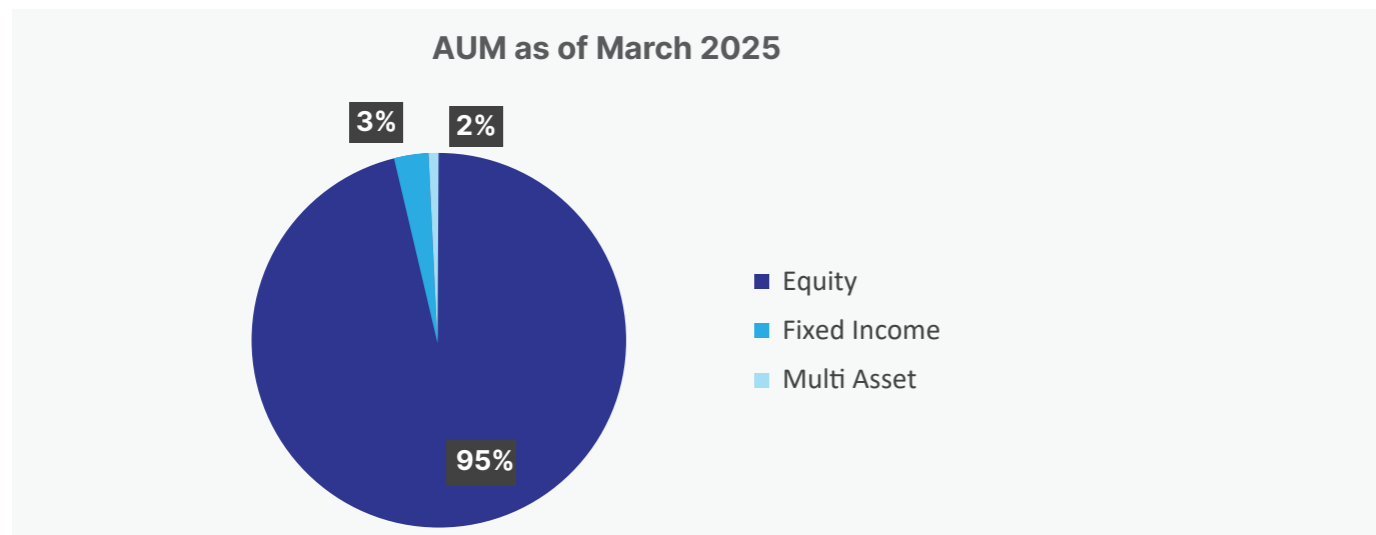


### Breakdown by region



### Breakdown by asset class

Assets under management across asset classes and geographies.



### The length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

We are India focused fund manager and do not invest outside India.

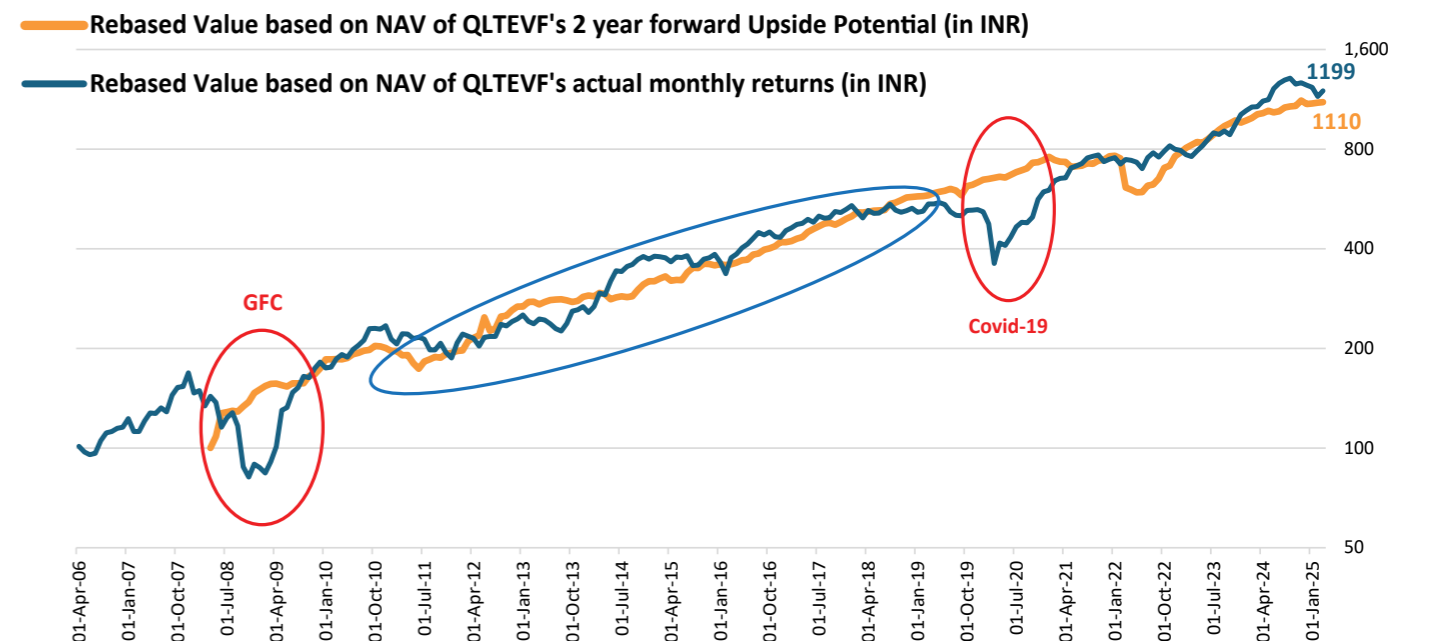
As discussed in the principle 1, Quantum provides a range of investment solutions across equities, fixed income and multi-asset products. We maintain direct relationships with investors and also work through financial intermediaries and consultants.

We clearly communicate our investment approach to clients and seek to attract clients whose investment philosophy aligns with ours, i.e., investors who have long-term investment horizons, typically a minimum of 5 years. We thoroughly evaluate the growth potential of our portfolio by analysing each stock's prospects two-years forward. Guided by Quantum's long-term investment philosophy, we take a disciplined stance, typically holding stocks for five years. This focus on the long-term allows us to assess valuations using forward-looking projections, minimizing unnecessary churn in our portfolio and promoting stability and consistency in our

investment approach. We endeavour to maintain an ongoing dialogue related to the performance of our fund strategies and companies we are holding.

We share newsletters and factsheets with clients every month to update them about our performance. These publications also provide us the opportunity to communicate in writing directly with clients to discuss our views on stewardship and the sustainable nature of our underlying businesses. A record of stewardship activities undertaken during the year is disclosed in the annual report of Quantum Mutual Fund. The link for the FY'25 annual report can be accessed from this [link](#). Our website also features a stewardship page which outlines our philosophy on stewardship and our commitment to the stewardship code. This information is freely accessible to all visitors. Quantum's annual report which is available on the website mentions stewardship activities during the financial year.

Quantum sends out regular communication to our clients via newsletters which reiterates our investment philosophy of long-term predictable returns while investing in companies with the high integrity standards. The chart below provides evidence of Quantum's long-term track record of achieving long-term predictable returns across cycles.



## Activity

### How they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach;

We prefer to have a direct relationship with our clients and foster enduring term relationships where we get to know each other well and set right expectations. Developing relationships in this manner allows our investor to understand how we think about investment and stewardship and how we make investment decisions and hopefully results in long-term relationships.

Given the increasing requirement from regulators for enhanced disclosures particularly in emerging markets, and heightened scrutiny required by investors especially from emerging markets focused asset managers, maintaining transparency from the outset of our relationships with them is crucial. It is our responsibility to keep them updated on our investment philosophy and decisions, and to address their concerns from the start of their investment journey with us.

We regularly meet with our existing and prospective clients both at the retail and institutional level. Our discussions have increasingly centred around evolving environment, social & governance integration as well as regulator reporting. We are highly flexible when it comes to catering to our clients, whether through in person meetings, emails, or video conferences, depending on the client convenience and requirements. Our fund managers are also available for regular meetings with clients or their representatives as and when required at their offices at various locations or be it on their visits to our offices in India. Additionally, our institutional clients also seek advice from their investment consultants. Consequently, we also gather feedback from these consultants regarding client information requirements and proactively address them in our communications and disclosures.

We will keep assessing the effectiveness of our processes and associated disclosures and make necessary changes based on the needs and requests of our clients to their best interest.

How assets have been managed in alignment with clients' stewardship and investment policies;

#### Stewardship Policies

We examined our existing and prospective investor requirements/mandates as part of our recent stewardship policy review process to determine whether there were any specific ESG matters that we might look to address in our ESG Exclusion List. We are satisfied that our [Responsible Investment Policy](#) (Last updated on 31st October 2024) remains consistent with global ethical investment practices and further our investors' responsible investment goals.

#### Product Offering

Quantum has a diverse global investor base, and many of our investors have specific goals or criteria determined by their style, region, or overall strategy. As a result, we implement dedicated substantial efforts and resources to improve our product offerings for the fulfilment of our stewardship goals, alongside with those of the clients as well.

#### Investor Due Diligence

Prior to making a commitment, prospective investors conduct extensive due diligence on Quantum and its investment philosophy. This provides them with a thorough understanding of our compliance, operations, research teams, and investing practices, including those related to our stewardship activities. Any additional investor requirements are documented if requested. This implies that investors' expectations are documented and understood from inception.

Communication to beneficiaries about stewardship & investment activities and outcomes;

We have monthly updates to all our clients and strive to engage with them at least once in six months or as may be requested by them. We send out a detailed newsletter to our clients which outlines a host of details such as:

- Portfolio composition
- Portfolio performance, including allocation and selection effects
- Portfolio carbon emissions

- Macro-economic developments
- Market commentary including portfolio actions
- SWOT analysis of portfolio companies.

We also write to our clients on any necessary updates on need basis on any major economic activity or controversies related to any of our portfolio companies and any escalated engagements.

#### Reporting on stewardship activities

A report on the implementation of stewardship activities including how the conflicts of interest (if any) were managed is provided upon the clients' request. The voting decision along with the underlying rationale and summary is shared with clients on request. We also respond to client queries or request for updates when needed, through written, telephonic or in-person engagements.

Our monthly investor letters are written to reflect our long-term investment approach and includes an investment theme with a stock/current scenario in focus and a detailed note on the financial sustainability which highlights key performance indicators we look at in our investee companies (Return on Equity, Operating profit margins, Debt to equity, cash conversion, cashflow yield and two year forward earnings) compared to in relation to the market. These news letters provide the opportunity for us to communicate in writing directly with clients to discuss how we think about stewardship and the sustainable nature of our investments.

Our website publicly discloses our current [stewardship code](#), which outlines our thoughts and commitment to stewardship related responsibilities.

In FY'25, Quantum has not had any such failure to follow client stewardship or investments policies to report. We have always sought feedback from clients to improve our stewardship approach including transparency and engagements of our investments. We try to keep ourselves updated with best global practices and take any client feedback constructively to fill any gaps if needed. Based on our discussions with our clients they seemed satisfied with our overall stewardship approach over the last year.

## Reason for the chosen approach:

Quantum employs a direct client engagement strategy, leveraging both online and offline channels to build deeper relationships and strengthen its fiduciary responsibility. This approach enables a fuller understanding of client needs, driving higher satisfaction and retention. Through personalized interactions, rapid response to feedback, and consistent communication, Quantum adapts proactively to evolving client expectations, reduces friction in service delivery, and nurtures long-term loyalty. Regular outreach and data-driven insights further reinforce trust and help ensure that the firm consistently acts in the best interests of its clients.

### Signatories should explain how they have taken account of the views of clients and what actions they have taken as a result

Quantum portfolio team holds quarterly calls with clients and visits them in person at least once a year, where we communicate the various stewardship related activities undertaken during the period. Further, Quantum regularly sends out recommendations for proxy voting to their clients, based on which voting is executed by them.

Quantum also considers, segment exclusions (if any) which the client wishes to implement as part of investments. We take our client's investment reservations very seriously and do a multi-pronged in-depth research proactively to ensure that it does not violate our client's investment mandate. For instance, if some client has specified that we want to invest only in vegan stocks, we try avoiding stocks which have even exposure to animal cruelty businesses. We proactively engage with companies to enquire about their implicit exposure to questionable businesses and whether they or any of their suppliers' practices require animal-based inputs, something not clearly disclosed in their public disclosures. Some of our clients are also not comfortable with investments in thermal power plants and coal-based products, and accordingly Quantum has either excluded such companies or retained companies who are willing to improve their operations more environmentally

friendly, with the client's permission of course. Accordingly, we have continued to monitor and engage with companies to check their progress on these sustainability targets, and take appropriate actions as deemed in the best interest of our clients.

**The examples of products launched by Quantum in FY'25 for client benefit is mentioned below:**

### Case Study 1: Quantum Ethical Fund

**Time Period:**

December 2024

**Outcome:**

We came across requests from our clients to launch a product that caters to the Jain philosophy of Ahimsa based investing while also catering to the needs of Shariah community. To address the client needs, we launched the Quantum Ethical Fund in FY'25. The fund addresses core principles of Jain investing which includes cruelty-free, veganism, prohibition from indulgence in sin, long-term sustainable growth and transparency. The fund also incorporated the Shariah philosophy of investing which includes prohibition from earning interest, avoidance of haram (sin) activities and ethical business.

While construction of ethical portfolio, we are mindful of following the above philosophies. We categorically do not invest in companies that are associated in sin sectors like alcohol, gambling, pork, and production of weapons. We also do not invest in companies whose products directly or indirectly harm animals. We also invest in companies that have low levels of debt and miniscule interest-bearing income. Over and above, the Quantum Ethical Fund also incorporates the core values of ESG based investing.

We have taken certification from external assurance from relevant bodies the NGO which has verified that our portfolio is Jain investment compliant. Further, we have taken a similar certification of Shariah compliance from an external auditor.

### Case Study 2 UCITS Fund & Q India Equity Fund

**Time Period:**

January 2025

**Outcome:**

In several discussions with our offshore clients, it has been mentioned that Quantum should expand its product offerings to developed markets like the USA and EU.

We took note of our client requirements and introduced our fund offerings for our clients in European Union under Q India Predictable India Equity UCITS Funds. Likewise, we introduced our fund in US markets via Q India Equity Fund under Investment Company Act of 1940. The new offerings aided in ease of accessibility of Quantum fund for our offshore clients. These funds follow the principles of long-term value investing with core focus on good governance.





# PRINCIPLE 7

## Stewardship, Investment & Environmental, Social and Governance Integration

## PRINCIPLE 7

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

### Context

Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

### Activity

Signatories should explain:

- How integration of stewardship and investment has differed for funds, asset classes and geographies;
- How they have ensured:

- Tenders have included a requirement to integrate stewardship and investment, including material ESG issues; and

- The design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of clients and beneficiaries;

OR

- The processes they have used to:

- Integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and

- Ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

### Outcome

Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.

As fundamental investors, assessing and systematically integrating ESG issues has always been a crucial component of our investment strategy, and we have continued to improve our

internal monitoring and reporting of the ESG assessments for our strategies over the years. We are also evolving our thinking in this critical area to ensure that our strategy remains robust and ahead of the curve towards implementing and furthering best sustainable investing practices.

When researching an investment case for a company, it is the dedicated ESG research analyst's role to establish a judgment on ESG issues. Rather than taking a blanket approach, we examine 'E,' 'S,' and 'G' factors from both a risk and opportunity perspective and adjust this to the sector specific conditions of a company.

ESG analysis is comprehensive and robust. Evaluation is based on company reports and regulatory filings, sustainability reports, TCFD framework, business responsibility reports, annual reports, CDP Reports, Sustainability and Accounting Standards Boards (SASB) materiality mapping and Environmental Impact Assessment Reports. We take into consideration, various primary and secondary data sources, on-ground due-diligence, management meetings and channel checks.

To sum up, our proprietary ESG Scoring model can be explained as under, wherein Governance is at the core of analysis and materiality drives the ESG assessment.

### ESG scoring model:

Our scoring methodology has been developed internally. We evaluate the ESG performance of the company on two broad parameters.

1. **Disclosures (30% weight):** Companies are judged on their levels of disclosures based on inputs provided in their sustainability reports / business responsibility reports / annual reports. Companies with higher disclosures get higher scores. Our disclosure scores are based on a binary scoring system (+1 for disclosure, 0 for non-disclosure). The total disclosure score is then standardized and ranges from 0 (least score) to 100 (highest score).

2. **Qualitative checks (70% weight):** We check for any past violations / red flags of certain E&S metrics and corporate governance regulations. Depending on the severity of the violation, negative points are given ranging from -10 (most severe violation) to 0 (no violation / no red flags). The total qualitative score ranges from 0 (highest score) to -100 (least score).

Within disclosures and qualitative checks, Governance is given a 50% weight; Environmental and Social have a weight of 25% each.

Some of the key aspects that we evaluate are –

### 1) Governance:

We believe companies that have effective boards and are resilient, agile and able to anticipate, manage and integrate into their strategy material environmental and social factors, are more likely to create and preserve value over the long term than those that do not. A company's governance and incentive structures, including its board make-up and remuneration practices, influences the ability of management to deliver long-term success.

- a. **Board independence:** We prefer boards that are independent in substance and have the ability to engage in constructive debate, ask hard questions and challenge management's assumptions / proposals when necessary. We typically check the compliance to listing regulations and Companies Act, whether there is separation of role of Chairman and CEO, disclosures on process and criteria for appointing independent directors, director expertise and qualifications, participation in meetings and the overall performance evaluation process of independent directors.
- b. **Executive compensation:** We prefer companies where executive compensation is linked to long-term performance and aligned with the long term shareholder interests. We check for disclosures on variable and fixed pay, policy on issuance and structuring of stock options and comparison of managerial pay with respect to peers as well as average employee remuneration in the company.
- c. **Treatment of minority shareholders:** We avoid companies where related party transactions and other transactions such as mergers and acquisitions are clearly detrimental to minority shareholders. We also check for opaque and complex ownership structure which may have the potential to violate minority shareholder rights.

- d. **Functioning of audit, remuneration and nomination committees:** We prefer committees with an independent chairman and consider it a good practice if executive directors are not members of the remuneration / audit committee.
- e. **Reputation / regulatory compliance:** We avoid companies that have been subjected to a pattern of fines / penalties / settlements in relation to significantly negative or protracted ethical controversies / corruption issues / regulatory violations.

### 2) Environmental:

Environmental issues, and most notably risks and opportunities related to climate change, can impact a company's financial performance and longer-term outlook, and therefore the value of our investments.

- a. **Climate change and environmental pollution:** We are conscious of the fact that companies belonging in certain industries will have a high degree of exposure to environmental risks. We evaluate whether such companies have an active plan in place to reduce / mitigate their environmental footprint. We evaluate company disclosures on its climate change strategy, performance on emissions, efforts to increase the share of cleaner fuels, waste management practices, compliance to local and central pollution control board regulations.
- b. **Natural resource use:** Resource extractive industries (power, cement, oil and gas, steel, chemicals, etc.) are facing increasing regulation to improve the efficiency of their operations and minimize their environmental impact. We analyse how companies are faring on these parameters by benchmarking them against their peers as well as global best practices. In addition to pollution mitigation measures mentioned above, we also consider the initiatives undertaken by companies to improve the resource efficiency (materials, energy, water, land) of their operations and their efforts to promote sustainability initiatives throughout the supply chain.

### 3) Social:

A company's approach to human capital is reflected in the resilience of its work force and its supply chain.

- a. **Human capital development / employee relations:** We evaluate whether companies have cordial relations with employees or whether there is a history of work stoppages or strikes. We consider training and development initiatives for permanent as well as contractual employees.
- b. **Health and safety:** Frequent accidents and injuries at the workplace would be a cause of concern for us. We evaluate company disclosures on health and safety policies, injury frequency rate and fatalities data as well as efforts by the company to impart health and safety training. In addition, we also track incidences of sexual harassment cases which are reported by the company.
- c. **Equal opportunity and workforce diversity:** We evaluate whether the company follows the principle of equal opportunity in regards to its hiring and promotion procedures. We also consider the representation of women at different levels of hierarchy.
- d. **Corporate social responsibility:** According to regulations 2% of average profits of last three years have to be spent on CSR initiatives. We judge the quantum and quality of spending on CSR activities to evaluate whether the truly marginalized and vulnerable sections of society are the ultimate beneficiaries.
- e. **Human rights / child labor:** We avoid investing in companies that employ child labor or have been convicted of human rights violations. We also evaluate whether the child labor / human rights policies are enforced throughout a company's supply chain.
- f. **Responsible sourcing:** Since consumers are increasingly seeking to purchase goods that have been produced in socially and environmentally responsible ways, it is necessary to evaluate responsible sourcing practices of companies and their efforts to increase supply chain traceability and counterfeit management systems.

In addition to the above there are other aspects that we evaluate such as customer satisfaction and grievance handling mechanism, data privacy and protection measures, product recalls, product safety and service labelling as a main focus.

### ESG Integration in Strategy:

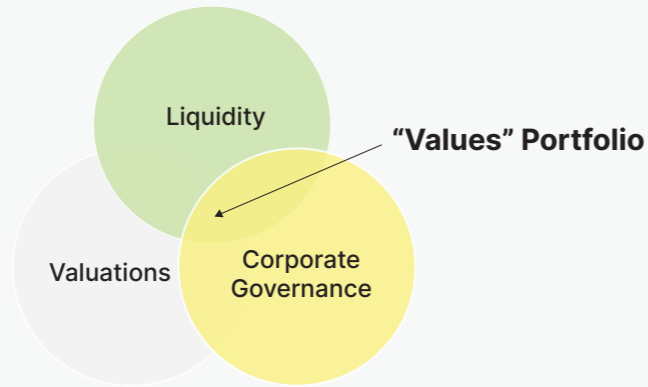
We are India focused fund manager and have no investments outside India.

Our two equity strategies are depicted below showcasing their ESG integration with varied approaches. Value Strategy – "Value with values" portfolio

As part of our normal research process, we have always given primary emphasis to corporate governance factors and have excluded those companies that have demonstrated a poor governance track record. From 2015 onwards, based on the increasing importance of non-financial factors (Environment and Social) as well as regulations mandating disclosures on ESG metrics, we developed a proprietary methodology to formally rate companies in our investment universe on these 'E', 'S', and 'G' metrics. We have an eight-member team dedicated to ESG research in determining these scores.

Generally, the ESG rating does not serve as the sole determining factor in the decision to include or exclude companies in our portfolio. However, when we observe any portfolio company has inferior ESG practices and management or the Board demonstrates no intent to improve, the portfolio team will divest the company. For non-portfolio companies, the stock will be placed on "Permanent Watch" and will not be bought – irrespective of market price – until our concerns have been satisfactorily resolved.

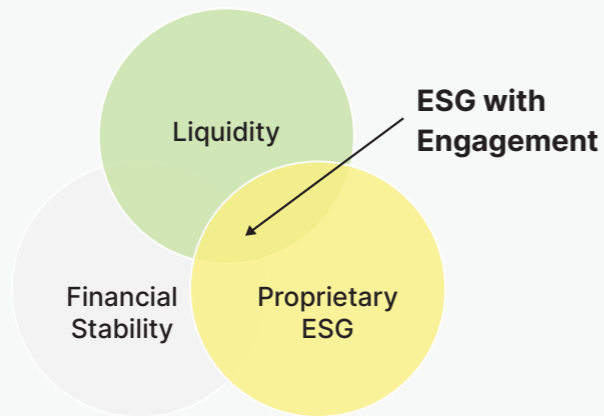
**“Value With Values” - What Portfolio Is the Investor Buying?**



Trying to Limit risk, Yet potential to generate higher than Index returns.

**Responsible Returns Strategy -**

**“ESG With Financial Stability” - a great combination for long term returns...**



Banking on Sustainability as the driver for long term returns

Quantum’s Responsible returns strategy’s portfolio construction approach is largely based on the ESG score. Companies with a positive score and are above the minimum threshold ESG score are generally included in the portfolio. Quantum manages to strike a balance by making ESG scores a top priority in capital allocation and adhering to broad sector guardrails to ensure risk mitigation and diversification. Compared to the traditional market-cap based weighted approach, we believe our process is geared to deliver better risk-adjusted returns.

**Fixed Income:** Our investment strategy focuses exclusively on sovereign debt instruments. Due to the inherent nature of sovereign bonds, which represent the direct obligations of national governments, stewardship practices typically employed with equity/corporate debt holdings are not applicable in this context.

**Multi Asset:** Our Multi asset fund diversifies across 3 major asset classes; equity, debt & gold. Depending upon the invested allocation in each asset class, the respective stewardship principle of each class as described above is applicable.

We evaluate environmental, social, and governance issues in our investment analysis since we recognize they have the potential to materially impact both the financial performance and the valuation of our stakeholder’s equity.

Since 1996, we applied our “Integrity Screen” on Indian companies— now known as “Governance”. Quantum’s Integrity Screen has helped sift out companies with questionable business and governance practices. Prior to investing in a company, the research and portfolio team analyses Corporate Governance (the Board and Key

Management Personnel), historical track record in protecting minority shareholder interest, business practices and care for the community (other stakeholders). We do not invest in companies if they fail our Integrity Screen checks - even if valuations are attractive and/or these stocks are market favourites.

Stewardship and proxy voting are the cornerstone of Quantum’s research process. **As a part of Client Due Diligence and RFPs, we provide detailed information on our stewardship activities including but not limited to proxy voting.** Our current as well as prospective clients are apprised of our investment principle of long-term value creation backed by good governance. We take into account the proxy voting requirements as set out by our clients and incorporate them in our voting policy. Further, we take cognizance of client’s policy on material ESG issues during portfolio construction process.

Quantum started building an internal ESG Team in 2015. Screening based on international ESG standards (UN Global Compact, PRI) and incorporating our learnings from assessing corporate behaviour in India since 1990. Our process has evolved over last few years, as we travel up the learning curve and established a principles-based, qualitative-oriented, ESG framework.

During the reporting period we focused on materiality while evaluating environmental, social, and governance issues in our investment analysis since we recognize they have the potential to impact both the financial performance and the valuation of our stakeholder’s equity.

Our equity fund managers rely on the expertise of our dedicated ESG research team to do this. The fund managers and ESG research team engage with companies on a regular basis, and critical ESG concerns and topics are discussed in an attempt to nudge companies to improve on their disclosures and practices. These are further assessed and reviewed internally on a sector-by-sector basis to represent a more deliberate approach and highlight nuances between companies. The proprietary ESG scoring approach is based on company disclosures and evaluation of these disclosures on qualitative aspects.

Quantum integrates ESG in its investment processes, however the level & manner of integration might differ across products in the same asset class. Please find the link to our [ESG policy](#).

**Key areas of our ESG integration framework is tabled below:**

Environment	Social	Governance
Climate change and environmental pollution	Human capital development / employee relations	Board independence:
Natural resource use	Health and safety	Executive compensation:
Water Stewardship	Equal opportunity and workforce diversity	Treatment of minority shareholders:
Waste Management	Corporate social responsibility	Functioning of audit, remuneration and nomination committees:
Energy Efficiency	Human rights / child labour	Reputation / regulatory compliance
Renewable Energy	Responsible sourcing	
Circular economy		

## Outcomes

The examples of integration of ESG in equity research is mentioned below:

### Case Study 1

**Company:** LMW

#### Background :

In January 2025, Quantum's analyst initiated coverage on LMW to assess its alignment with Quantum's investment and ESG criteria. The analyst visited the company's manufacturing facility to review on-site implementation of environmental and governance practices.

#### Timing:

December 2024

#### Findings:

The visit confirmed that LMW had installed in-house solar and wind plants supplying roughly 60 % of its power requirement and had achieved ISO 14001 and 45001 certifications for energy and waste-management systems. The foundry's closed-loop recycling of cast-iron and steel scrap demonstrated tangible progress on resource efficiency.

#### Outcome:

These findings led to an internal upgrade in LMW's ESG assessment, particularly on the Environmental pillar, reflecting stronger performance on renewable-energy use and waste-management practices. We will keep monitoring the company's sustainability initiatives in the future.

### Case Study 2

**Company:** Pitti Engineering

#### Background

In March 2025, Quantum's analyst initiated coverage on Pitti Engineering Ltd as part of the regular equity research cycle to assess consistency with Quantum's investment criteria.

#### Timing:

February 2025

#### Engagement:

The analyst wrote to the company seeking clarification on:

- The structure, exercise and vesting of its employee stock-option plan (ESOP),

- Disclosure of ESG targets and roadmap, and
- The existence and functioning of an employee association or formal grievance mechanism.

#### Outcome:

The management disclosed that the vesting under the ESOP scheme is both time-based and performance based, and it was in process of finalization of exercise price. The management further mentioned the use of EV in its operations, however there was lack of clarity on ESG oversight. Given the lack of clarity of exercise price and ESG oversight, we provided the company a lower rating in our ESG assessment.

### Case Study 3

**Company:** Eicher Motors

#### Background :

During FY 2025 stewardship review, Quantum's analyst identified a potential conflict-of-interest risk involving one of Eicher Motors' independent directors who had previously undertaken legal work for the company.

#### Timing:

February 2025

#### Engagement:

Quantum sought clarification from the company's Investor Relation team regarding the director's ongoing independence and succession planning for the board.

#### Outcome:

Eicher Motors confirmed that the director's tenure was due to conclude at the end of FY 2025 and that a search process for a new independent director had been initiated to strengthen board independence.

Following the engagement, Quantum noted improved transparency in the company's governance communication and recorded a positive adjustment under the Governance pillar of its ESG assessment. The case was closed with a recommendation to monitor the board-refresh process and the disclosure of the incoming director's credentials in corporate announcement in stock exchanges.

## Case Study 4

**Company:** Hero MotoCorp

#### Timing:

February 2025

#### Background

As part of its ongoing stewardship and ESG monitoring, Quantum's analyst engaged with Hero MotoCorp on key governance and sustainability areas to assess management's responsiveness and disclosure quality.

#### Engagement:

#### Topics discussed included:

- The exercise and vesting process under the ESOP scheme,
- Progress toward the company's carbon neutrality target, and
- Management of sexual harassment complaints and employee attrition.

#### Outcome:

The company provided detailed clarifications confirming that the ESOP scheme is performance-linked. The management disclosed that around 30% of its electricity requirements are met through renewable sources and it is on track to achieve carbon neutrality. It was stated that number of sexual harassment sessions have increased leading to more participation. Due to increased awareness and approachable Internal Complaints committee, the complaints have increased. The management also commented that the increase in attrition was due to employees applying for Voluntary Retirement Scheme. Further, the company clarified that the recent controversies have been resolved.

Quantum's assessment found the company's governance and social-disclosure practices improving, prompting a positive revision in its ESG assessment and continued inclusion in the ESG universe. Follow-up engagement has been planned to monitor verification progress on emission targets and gender-diversity disclosures.

## Case Study 5

**Company:** Godrej Consumer Products

#### Timing:

November 2024

#### Context:

Quantum's analyst engaged with Godrej Consumer Products Ltd (GCPL) to evaluate its environmental practices in water-stressed regions and progress on recyclable packaging targets, both material issues for the company's FMCG operations.

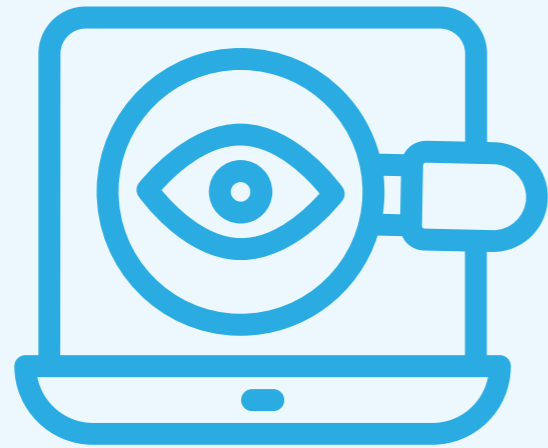
#### Engagement:

The analyst discussed with management GCPL's site-level water initiatives and packaging transition roadmap. The company highlighted its community water-harvesting projects, aquifer-recharge programmes and urban-well restoration in high-stress areas. It also confirmed achievement of water-positive status and reported that 40 % of packaging was recyclable, with a target to reach 80 % recyclability in the medium term.

#### Outcome:

Quantum recorded these developments as evidence of strong resource-efficiency governance and credible medium term sustainability targets. GCPL's Environmental-pillar score was upgraded, and the stock retained within the sustainable-equity universe. The engagement also prompted Quantum to introduce a water-stress exposure tracker across the consumer-staples sector to monitor progress against similar metrics.

This engagement underscored that targeted dialogues on material environmental risks can yield quantifiable improvements in disclosure and sector-wide benchmarking, reinforcing Quantum's role in driving higher sustainability standards among Indian FMCG companies.



## PRINCIPLE 8

### Monitoring Managers and Service

## PRINCIPLE 8

Signatories monitor and hold to account managers and/or service providers.

### Activity

Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

### Outcome

Signatories should explain:

- How the services have been delivered to meet their needs;

OR

- The action they have taken where signatories' expectations of their managers and/or service providers have not been met.

Quantum leverages many internal resources and external tools to enable capabilities across asset classes. Significant investments have been made to enhance our proprietary investment database. Sustainability factors are also evaluated during our fundamental analysis, with interactions and engagements with investee companies logged in the research database. However, at times we also utilize external providers such as Bloomberg, liAS, SES, and ACE. We utilize market data suppliers, company-provided information, and industry publications to guide our investment decisions.

The subscribed service providers are divided into two categories:

- Data providers &
- Proxy providers.

While Bloomberg and ACE help with research-related data, SES and liAS provide us with proxy recommendations for our portfolio companies.

These service providers undergo an annual review to ensure adherence to Quantum's policies and risk management protocols. We do have an internal Vendor Management Policy as part of our compliance manual that spells out the expectations from any of our vendors and service providers, which the relevant teams need to follow before entering a contract. There are Service Level Agreements (SLAs) that describe the service expectations from providers embedded within each of their contracts, given that each contract or service may require a specific outcome.

Internally, we utilize our proprietary ESG model to score companies, guiding our investment decisions. However, SEBI mandates ESG Funds to disclose the underlying ESG scores for their portfolio companies, which is supposed to be assigned by a designated rating provider. As a result, Quantum has partnered with SES to obtain and publish these scores on monthly basis.

Quantum has subscribed to the services of two proxy advisors for proxy voting recommendations for portfolio companies.

- Stakeholder Empowerment Services (SES) and
- Institutional Investor Advisory Services (IIAS)

As a practice, we send the monthly portfolios to them, and accordingly, the proxy recommendations are sent by the proxy advisors. In cases of a difference in opinion between Quantum and the proxy advisor, we engage with the respective analyst to gain clarity on the resolution prior to voting.

## Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Quantum's Vendor Management Policy prescribes vendor selection and the after purchase review mechanism. Currently, we have implemented following vendor monitoring and evaluation criteria, which sets the framework for assessing all services providers and ensures that they are delivering to meet our needs:

- Performance of work in compliance with contract terms
- Timeliness of deliveries
- Quality of services, products, parts, and other materials provided
- Quality of services after delivery
- Competitiveness of Price
- Staff availability and level of expertise / technical support
- Competency in taking Prompt and effective correction of situations and conditions
- Financial Strength & reputation of the vendor
- Resources and infrastructure facilities including backup facilities, systems dedicated to contingency, and other risk management procedures.
- Compliance with the laws and regulations applicable to the vendor
- Vendor's internal standards and controls relating to privacy protection, security of systems, maintenance of confidentiality of information, maintenance of records, employee background checks, etc.
- Level of concentration with the vendor at the company level and
- Level of concentration with the vendor at the industry level

We do have periodic meetings twice a year with the service providers to give them feedback. Using the feedback from our investment teams, we decide the renewal and pricing of the annual contracts with the service providers in line with Quantum's vendor management policy.

Our Vendor Management Policy also covers managing relationships with other external service providers such as hardware support and facilities management, mail hosting solutions, payroll accounting, housekeeping, office telephone systems, and security access system maintenance. The firm has external audit firms that visit the firm's premises to perform statutory audits, internal accounts audits, portfolio audits, compliance audits, or any other audits.

The objectives of this policy is to manage and mitigate potential risks, ensure sound compliance with laws and regulations, conduct due diligence, conduct annual or more frequent reviews of vendors, and check on the delivery of value for money. The extent of the risks varies with each vendor relationship and the kind of service offered. Among the most common risks are a lack of vendor oversight by the firm, which could result in the firm facing operational risks, privacy risks, and reputational risks.

### Firm's role, responsibility, and supervisory requirements

These are requirements and responsibilities related to outsourcing activities for the company. The company is responsible and accountable for the actions of the service provider and for safeguarding confidential client information. The company retains full control over the outsourced activity and must ensure that its obligations to clients and regulators are not reduced by outsourcing arrangements. Due diligence must be performed on service providers, and clients' rights and ability to seek resolution for complaints must not be impacted. The firm is responsible for compensating clients for any losses incurred if the service provider fails to deliver. The firm and regulators have access to the data, facilities, and

premises utilized by the service provider. Outsourcing agreements must not hinder regulatory duties.

The firm's vendor policy has the following key elements:

#### 1. Risk assessment

The firm has established a Vendor Management Committee (VMC) comprising the CEO, CCO, Head-Finance, and Head-Risk Control to analyse the benefits, costs, legal aspects, and potential risks of appointing a vendor. The VMC is required to approve vendors providing certain services, including those covered under the SEBI Outsourcing Circular, those who would have access to the firm's system, premises, confidential or investor data, and those with a contract value of INR 1 million or more. The firm assesses the impact of the failure of the proposed service provider, review its ability to cope with non-performance or failure, review regulatory and conflict of interest situations, and establish backup arrangements if the vendor relationship is approved.

#### 2. Due diligence

Due diligence is performed before selecting a vendor and periodically (At least annually) during the relationship, including assessing the vendor's experience and ability, determining the adequacy of their policies and procedures related to controls, security, privacy, business continuity & disaster recovery capabilities, and employee background checks, evaluating their ability to provide timely access to information, performing on-site visits, analysing their financial statements and market share, considering the significance of the contract on their financial condition, evaluating their resource expenditures, and checking for any significant complaints or litigation. The vendor's security precautions with respect to the firm's resources and their ability to detect and respond to intrusions is also be evaluated when applicable.

### 3. Contract structuring

We understand the importance of entering into non-disclosure agreements with vendors before sharing confidential information during negotiations and hence have made it mandatory. The agreement should include provisions such as the vendor's use of confidential information only for the stated purpose, security precautions, compliance with SEBI regulations, and returning or destroying the information if necessary. The firm should also address various issues such as performance standards, security and confidentiality, cyber security risk controls, sub-contracting and multi-vendor planning, anti-corruption policy adherence, dispute resolution, indemnification, termination, and assignment in the agreement with the vendor

#### A. Oversight

The firm must maintain adequate oversight and quality control over vendor activities to minimize financial loss, reputation damage, and supervisory action. The Vendor Management Committee (VMC) must approve, oversee, and annually review vendor arrangements and their operations, while the firm's compliance department should verify that vendors comply with relevant laws and internal policies. Sufficiently qualified staff must be allocated for monitoring significant vendor relationships, and oversight activities must be periodically reported to the VMC, with weaknesses promptly addressed. These guidelines also consider factors outlined in a SEBI circular from December 2011 for outsourcing activities.

#### B. Business continuity and management of disaster recovery plans

There are various requirements for a firm's service providers to ensure business continuity and recovery procedures. These include testing plans, retaining control over outsourcing, addressing potential disruptions, ensuring IT security and disaster recovery capabilities, and considering alternative service providers or bringing outsourced activity in-house in emergencies. The firm must also be able to isolate its information, documents, records, and other assets in adverse

conditions to continue operations or prevent damage. Periodic testing and review of the service provider's systems can be undertaken, or the firm may rely on certification from the service provider.

**C. Confidentiality and security**

The firm is responsible for ensuring the security and confidentiality of client information held by its service providers. This includes taking steps to prevent unauthorized access and misuse, limiting access to a "need to know" basis, and implementing safeguards for data security and confidentiality. The firm must also regularly review and monitor its service providers' security practices and require them to report any security breaches.

**4. Miscellaneous provisions**

**A. Review by auditors**

Reviews by internal auditors of the outsourcing policies, risk management system, and requirements of the regulator shall be mandated by SEBI wherever felt necessary. The firm shall review the financial and operational capabilities of the service provider in order to assess its ability to continue to meet its outsourcing obligations.

The firm would be responsible for making suspicious transaction reports to the FIU or any other competent authority in respect of the firm's client-related activities carried out by the service providers.

**B. Record-keeping**

The records relating to all activities outsourced shall be preserved centrally so that the same is readily accessible for review by the board and/or its senior management, as and when needed. Such records shall be regularly updated and may also form part of the corporate governance review by the management of the firm.

**C. Off-shore outsourcing of services.**

Outsourcing services in a foreign country exposes a company to country risk, which includes economic, social, and political conditions that

could negatively affect the company. To manage this risk, the company should monitor government policies and conditions in the country, establish procedures for dealing with problems, and have contingency and exit strategies in place. The company should only work with parties in jurisdictions that uphold confidentiality clauses and specify the governing law. Activities outsourced outside of India should not hinder the supervision or reconstruction of Indian activities. Indian firms outsourcing overseas must follow both Indian guidelines and host country guidelines, with the more stringent guidelines prevailing in cases of differences and the host country guidelines prevailing in cases of conflicts.

**Outcome**

**Signatories should explain:**

**How the services have been delivered to meet their needs; or  
The action they have taken where signatories' expectations of their managers and/or service providers have not been met.**

**Ensuring Service Delivery as per expectations**

At Quantum, we undertake in-depth operational and financial due diligence on all the external service providers. As mentioned in our evaluation criteria table above, we internally rate our service providers and consider them for annual renewal. We place emphasis on the operational resilience of these providers on a continuous basis. We further ensure all our service providers have business continuity plans in place, facilitating continuous operations of the business in the event of any service disruption or any unexpected major disruption event.

Particularly with reference to the proxy advisory services, in the event of a difference in opinion between Quantum and the proxy advisor, we engage with the respective analysts to gain clarity on the resolution prior to voting.

**The below table also showcases our alignment with our proxy advisors' recommendations for FY'25**

Proxy Advisor 1 Grid (SES)					
Proxy Advisor FOR Quantum FOR	1040	80%	Proxy Advisor FOR Quantum AGAINST	47	4%
Proxy Advisor AGAINST Quantum FOR	156	12%	Proxy Advisor AGAINST Quantum AGAINST	32	2%

Proxy Advisor 2 Grid (iiAS)					
Proxy Advisor FOR Quantum FOR	1111	86%	Proxy Advisor FOR Quantum AGAINST	33	3%
Proxy Advisor AGAINST Quantum FOR	90	7%	Proxy Advisor AGAINST Quantum AGAINST	49	4%

It can be seen from the above tables that we largely follow the proxy advisor's recommendation; however, there have been instances where Quantum has used its own discretion and stewardship code while voting for company resolutions.

To date, we have not experienced any material issues with service providers, but if any issues became apparent, we would address them with the service provider immediately. If improvements in the services were unable to be achieved, then we would consider first escalate it for quick remedy and would look at terminating the relationship in case our service level expectations are not met.



# PRINCIPLE 9

## Engagement

## PRINCIPLE 9

Signatories engage with issuers maintain or enhance the value of assets.

### Activity

Signatories should explain:

- The expectations they have set for others that engage on their behalf and how;

OR

- How they have selected and prioritised engagement (for example, key issues and/or size of holding);
- How they have developed well-informed and precise objectives for engagement with examples;
- What methods of engagement and the extent to which they have been used;
- The reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and
- How engagement has differed for funds, assets or geographies

### Outcome

Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf

During our evolution as an investment firm, we have experienced the questionable behaviour of many companies to recall an important rule of investing: "If you shake someone's hand and you don't get your five fingers back, then don't shake their hands again."

Companies and business groups that we have avoided since October 1994 constitute 15% to 25% of various 'benchmark' and popular indices.

Besides engaging with companies as part of our regular research process, we also ensure that we vote on all resolutions. If we observe breaches in a company's corporate governance and / or environmental and social practices, we seek clarifications, prompt action, and independent investigations. On occasions we have also written to the Board to highlight certain areas where improvement in ESG practices was required. If issues persist in any of our investee companies due to a lack of resolution or inaction, we divest our holding in that company.

During our research, we seek disclosures on material aspects that can impact long term shareholder returns. We refer extensively to the following sources of information –

- Company reports and regulatory filings: Sustainability Reports, Business Responsibility Reports, Annual reports, CDP Reports, and Environmental Impact Assessment Reports.
- Direct engagement with company
- Other sources – Industry Reports, CMIE, World Resources Institute, The Energy and Resources Institute, United Nations Environment Program, SASB standards, TCFD, Pollution Control Boards, India Environmental Portal, NGO reports, etc.

### We engage with companies to;

- gain a better understanding of their overall sustainability strategy.
- seek clarification on their long-term targets and goals.
- understand the challenges faced in the execution of their strategy and keep ourselves informed of their preparedness to any upcoming change in regulation, future risks, and evolving technologies that could impact or assist the issues they face on the ESG front.

### Methods & extent of the engagement

#### How they have developed well-informed and precise objectives for engagement with examples;

#### What methods of engagement & the extent to which they have been used;

Our research and ESG analysts visit the manufacturing plants of companies to get a better understanding of the production process, health and safety practices, quality control measures, etc. The Research Team also engages with suppliers / vendors of the company to gain deeper understanding of their supply chain practices. In addition to engaging with company managements and suppliers, our analysts attend seminars, conferences and climate summits organized by

various institutions such as International Corporate Governance Network (ICGN), Federation of Indian Chambers of Commerce and Industry (FICCI), Centre for Responsible Business, Confederation of Indian Industry (CII) and Investment and Pensions Europe, to understand global best practices on many critical and emerging issues.

If the research team observes data points highlighting breach of ESG issues, a meeting is sought with the management to seek an explanation for the same including what corrective action is being considered to remedy the breach.

If the management is unresponsive then it will not be considered for the portfolio. In case the company is already part of the portfolio then the investment team may consider writing to the board of directors to highlight its observations and seek immediate action. If no action is forthcoming then the company, if part of the portfolio will be liquidated.

Other than the above, analysts also conduct channel checks by meeting various regional distributors, partners who are tied with the companies to understand their distribution network and reach, inventory management and sales, which also helps us corroborate claims made by the company.

Quantum's stewardship activities are tailored to the nature of each strategy and asset class, ensuring that engagement intensity and themes are proportionate to its influence and investment horizon.

**• Differentiation and proportionality:**

Engagement priorities differ across strategies—for example, the India Value Equity strategy focuses on governance and long-term capital allocation, while the Responsible Returns strategy leads sustainability dialogues under Quantum's ESG scoring framework. The Small-Cap strategy engages more frequently with investee companies to address governance maturity gaps and disclosure standards. The engagement relating to Quantum Ethical strategy relates to animal friendly practices. Lastly, the Fund of Fund engagement revolves around the performance and resilience of other equity funds.

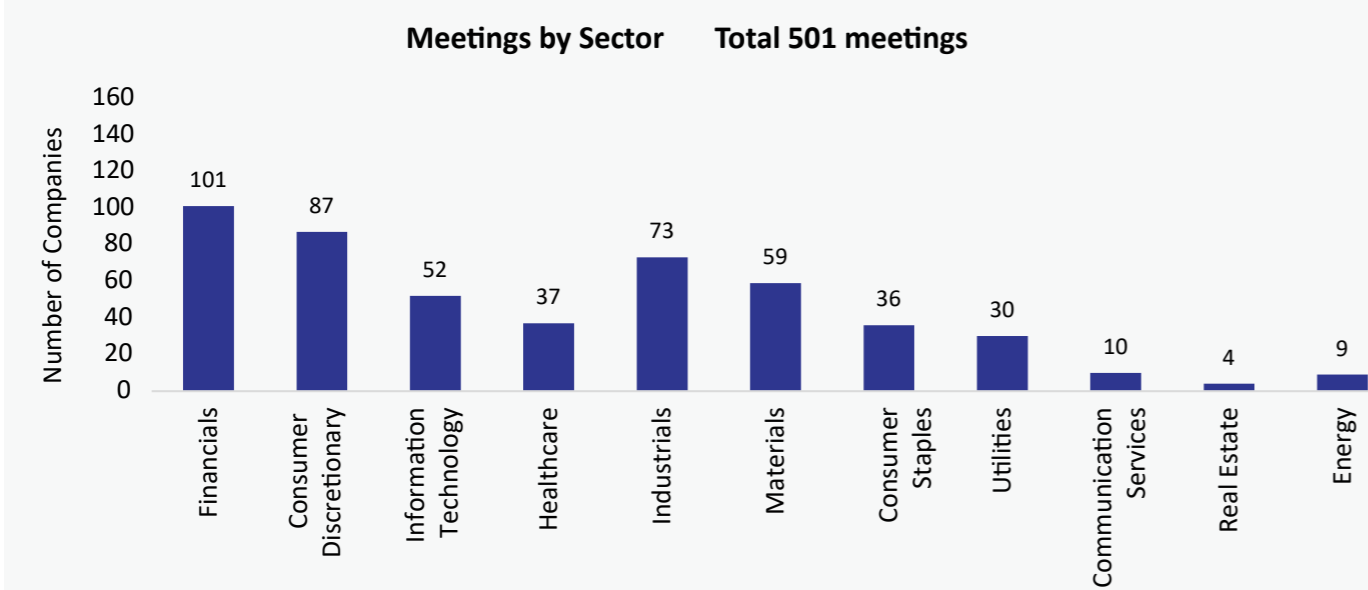
**• Evidence and transparency:**

Engagement outcomes are tracked internally through case studies and voting records, which are reviewed annually by the ESG Committee. Material insights are disclosed in the Fund's annual ESG and stewardship reports.

**• Consistency with public disclosures:**

The engagement priorities outlined here reflect Quantum AMC's publicly available policies, including its Stewardship Code disclosure and fund documentation on liquidity thresholds, capacity discipline, and ESG methodology.

**Meetings with Companies during 2024-25 by Sector**

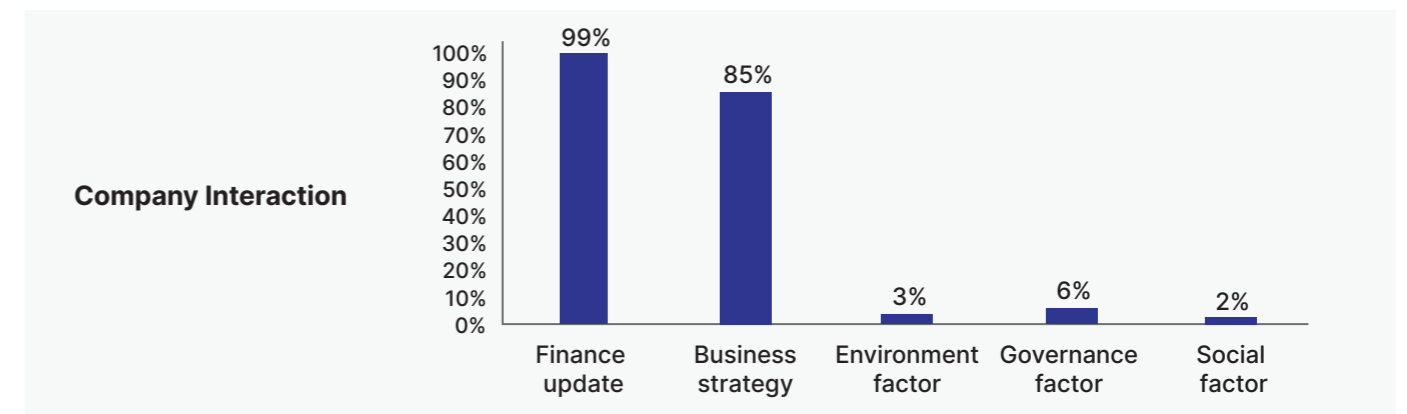
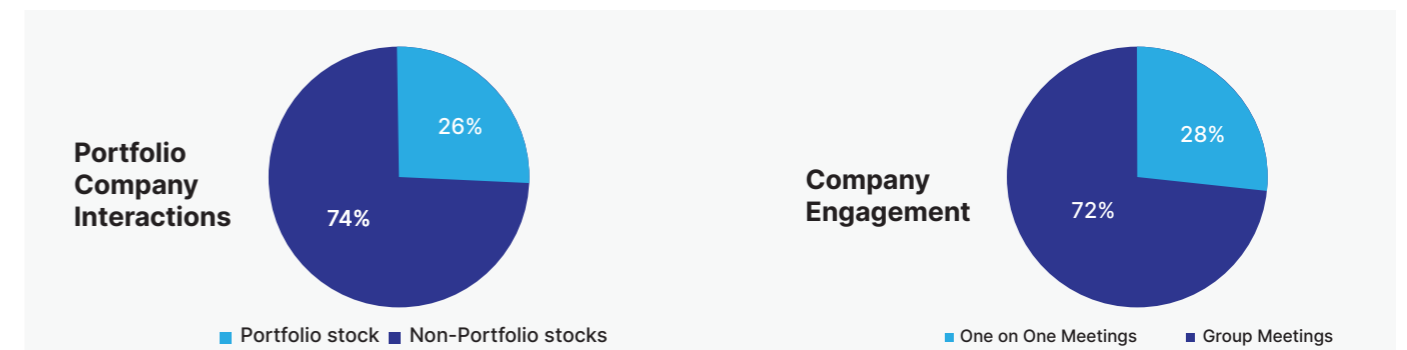


Every analyst at Quantum meets companies on a regular basis which maybe portfolio companies or non-portfolio companies. We mandate analysts to meet portfolio companies atleast twice a year. We continuously strive to increase our investment universe and keep monitoring all the companies which are not in the portfolio to increase our familiarity with business and corporate practices.

We lay a lot of emphasis on scuttlebutt investing and meet companies in the unlisted space,

industry experts and various stakeholders in the supply chain to know the on-ground realities.

As mentioned below, most of our company engagements have been related to financial aspects and business strategy. We keep nudging companies to discuss more on their sustainability approach as well. As a result, there have been a few but increasing focus from the companies to come out and start discussing about their ESG strategy. We have seen an increasing trend every year.



All the above data pertains to FY'24-25.

**The reasons for their chosen approach, with reference to their disclosure under context for Principle 1 and 6;**

Quantum adopts a direct and continuous engagement approach with portfolio companies to gain a deeper understanding of their governance practices, financial health, and strategic outlook. This approach reinforces our investment philosophy of delivering long-term, predictable returns, while ensuring that governance weaknesses and potential risks are appropriately identified and addressed. This helps in fulfilling client requirements.

Quantum's approach with clients is long-term, with the goal of providing consistent returns for investors. In accordance to Principle 1 & Principle 6, we accomplish consistent returns through our investment strategy of investing in companies we believe are attractively valued compared to our assessment. We make stock decisions that lead to sector allocations. Our engagement with clients focuses on not seeking short-term gains and instead generating lasting shareholder value. To that end, our approach centres on investing in well-governed companies with strong leadership.

We believe such companies can deliver steady, long-term shareholder growth for investors.

This long-term focus also explains Quantum's ability to retain clients over time.

Quantum solely invests in India markets & hence the stewardship is centred on Indian companies.

## How engagement has differed for funds, assets or geographies

### 1. Equities:

Engagements are typically direct and bilateral, allowing Quantum to address governance practices, capital allocation, and ESG performance. Findings from these dialogues feed into internal research and ESG assessment templates.

### 2. Fixed Income:

Engagement opportunities are more limited given the contractual nature of debt instruments. Quantum therefore focuses on monitoring macro-economic, sovereign, and policy-level developments that influence credit quality and long-term sustainability. Where feasible, the firm participates in market consultations and policy dialogues on responsible finance.

### 3. Multi-Asset Strategies:

Stewardship integration depends on the portfolio composition. Equity exposures follow the same engagement principles as direct equity strategies, while debt and commodity allocations are monitored primarily through macro and policy analysis.

## Engagement across various funds

### Funds / Strategies

#### o India Value Equity:

In the India Value Equity strategy, engagement centres on governance, transparency, and capital discipline. Our public disclosures emphasise evaluating management quality, governance practices, and the treatment of minority shareholders as part of our stock selection and oversight process."

#### o India Responsible Returns (QIRR):

The ESG-integrated strategy undertakes proactive sustainability dialogues with companies. Engagement topics extend beyond governance to include environmental disclosures, decarbonisation progress, supply-chain ethics, and diversity practices. The framework aligns with Quantum's proprietary ESG-scoring model first introduced in 2015.

#### o Small-Cap:

Engagement frequency is higher and more hands-on, reflecting maturity gaps in disclosure and governance across small- and mid-caps. Discussions typically cover board structure, promoter accountability, and liquidity management, supplier resilience and cyclicality.

#### o Ethical:

The Ethical strategy undertakes dialogue with companies on whether their products are cruelty free and vegan in nature. We also conduct plant visits and channel checks to understand the impact of company operations and supply chain on animals.

#### o Fund of Fund:

We engage with the fund managers of other equity schemes to understand their investment philosophy, governance standards, portfolio resilience and growth prospects.

While most of our company engagements have been related to financial aspects and business strategy, we have also been nudging them to discuss more on their sustainability strategies. On a few occasions, our engagements have inspired companies to improve their disclosures with more elaborative information to back their claims about how they are managing a particular ESG risk. Our ESG-related engagement with companies may have enhanced their focus on key sustainability related issues.

To summarise, our engagement with the company management differs based on the investment strategy. While, governance is the key parameter

for engagement for all funds, the Q India Value engagement revolves around the long-term business dynamics of the companies and macroeconomic trends affecting them. The engagement for Q India Responsible Returns involve sustainability & social performance and targets, and controversies. As a part of such engagements, we also interact with NGOs and conduct channel checks to understand the ground zero ESG issues.

## Geographies

Quantum solely invests in Indian markets, and therefore all our stewardship and engagement activities are focused within India. Engagement differs across our funds and asset classes, reflecting the nature of each strategy rather than geographic variation.

## Outcome

### Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf

The examples of engagement involving ESG issues also are enumerated in Principle 7, [Page No. 64](#)

## Engagement in action:

### Case Study 1

**Company:** Credit Access Grameen

#### Background

Credit Access Grameen is the largest NBFC microfinance institution (MFI) in the country and is promoted by Netherland based Credit Access Asia BV, present in MSE financing. Credit Access Asia acquired majority stake in the company in 2014 and presently its stake stands at 66%. We had concerns about promoter exit impacting the MFI's long-term funding through foreign borrowings (current share of 22%). We engaged with the Chief Financial Officer (CFO) for the same.

#### Timing

August 2024

#### Engagement

We wanted to gauge extent of risk posed by promoter exit in the company's fund-raising plans that can push up funding costs and dent profitability.

#### Outcome

The CFO clarified that the MFI's domestic rating does not take the parent company into consideration. And globally, rising demand for ESG and social impact funds has enabled it to gain access to Development Finance Institutions in US, Austria, Germany, Sweden, Japan, Taiwan and Middle East. We hope that the MFI can expand beyond the current running relationships after the promoter exit. We will closely track the company's growth post the exit of promoter on metrics like whether growth impacts the company's asset quality.

## Case Study 2

**Company:** IndusInd Bank

#### Background

In March 2025, IndusInd reported discrepancy in derivative position during the period 2017-2024. This pertained to some of the hedge positions that the bank took which were not adequately marked to market. As per audit of external agency, the accounting discrepancy would have sizeable effect on the bank's net worth. The bank also did not adequately recognise certain impairment in its Microfinance book, which has impacted FY25 profitability.

#### Timing

March 2025

#### Engagement

Quantum had a meeting with the management to get clarification on the accounting discrepancy, management involvement in the discrepancy, clawback provisions and the steps taken to mitigate such incidents in the future. The board assigned

accountability for discrepancies on previous management and is in the process of recruiting new executives, in consultation with the regulator.

### Outcome

We took note of the recent developments and incorporated them in our assessment. The bank has assured of course correction, improving the risk management practices, fixing accountability and bringing in a new management to run the business. We will closely monitor the bank's risk management practices in the future.

## Case Study 3

**Company:** Star Health

### Background

Star Health is the largest private Health Insurance company in India. In FY 2025, a news article stated that the company had the lowest claim settlement ratio. Further, the company reported a decline in profits, despite its aggressive guidance in the first quarter of the year.

### Timing

March 2025

### Engagement

Quantum sought clarification from the management in relation to a news article which stated that Star health has the lowest claims settlement ratio (54%) in 2022-23 on basis of amount of claims paid.

We also engaged with the management on the reason for decline in profits, despite their June 2024 guidance of doubling the premiums and tripling net profits over the next four years.

### Outcome

The management stated that the claims settlement ratio of Star Health mentioned in the news article was computed incorrectly and they have raised this issue with the concerned news agency in this regard. The company clarified that if the total medical expenses is Rs 1 mn and the insurance cover is for Rs

0.3 mn, the claims paid as per Indian brokers association is 30% even if the full insurance cover has been paid. Therefore, the correct picture of the claim settlement was not depicted.

The management clarified that the net profits declined due to sharp increase in medical inflation and impacted the entire industry.

The company assured that the targets are achievable. The premium growth and cost savings are on track. However, the claims numbers which is not in their control needs to return to its normalized level for targets to be achieved.

Given the satisfactory response by the company, we maintained our positive rating on the company. However, going forward we will keenly monitor the company's claims ratio.

## Case Study 4

**Company:** EPL

### Background

EPL, is the largest specialty packaging global company, manufacturing laminated plastic tubes catering to the Beauty & Cosmetics, Pharma & Health, Food, Oral and Home. In FY'25, Indorama Ventures Ltd (IVL) entered into an agreement with EPL's promoter viz Blackstone (~51% stake) to purchase ~25% stake in the company. We had concerns about the entry of a new promoter. Therefore, we engaged with the management of IVL.

### Timing

March 2025

### Engagement

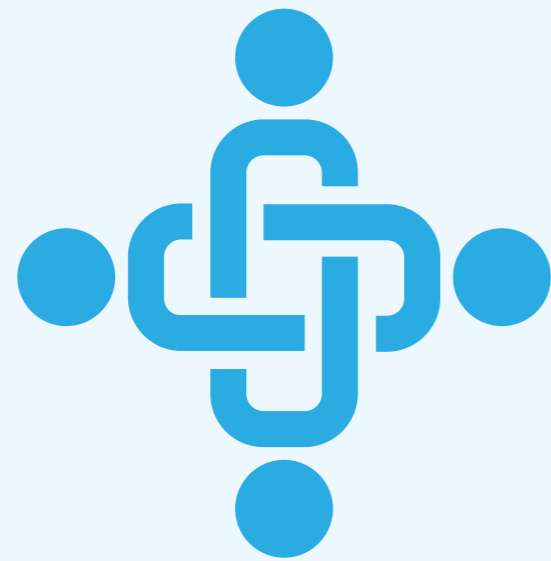
We wanted to understand the growth strategy of IVL and their outlook in relation to EPL. Further, we sought the company's clarification on the synergies and expertise it would bring following its inclusion in the company.

### Outcome

The management of IVL stated that they have tracked EPL for a long time and like the company's focus on sustainability and its presence in western markets where scope of margin improvement is possible due to price premium. They are of the view that EPL needs to move beyond its current 1-2% organic growth and future growth will be fuelled by M&A and expansion into new segments. The management of IVL mentioned that it shares same major customers such as PNG, although the scale of business differs significantly. This overlap presents

an opportunity for EPL to gain a larger share of these customers' wallets by offering a broader range of products. The management hinted at future collaboration of IVL and EPL via co-siting facilities, sharing infrastructure and services and leveraging IVL's expertise in polymer science and material technologies.

We were satisfied with the response of the management with respect to outlook and possible synergies. Therefore, we maintained a positive rating on the company.



# PRINCIPLE 10

## Collaboration

## PRINCIPLE 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

### Activity

Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

### Outcome

Signatories should describe the outcomes of collaborative engagement.

We remain committed towards working with various stakeholders to promote stewardship in our investment activities for long term value creation for our investors. As part of our commitment to being a responsible investor, we engage with

regulators, governments, standard-setters, coalitions and NGOs to advance good governance and responsible investment on our behalf. This includes responding to consultation requests and surveys, and meeting with regulators to express concerns or support for policies and practices relating to good governance.

The threshold to file shareholder resolutions as a minority investor is higher than in most markets, limiting minority investors' ability to influence decisions. This makes it difficult for minority shareholders to gather the required 10% threshold to submit resolutions at annual general meetings or calling special shareholder meetings.

Jurisdiction	Threshold to File Shareholder Resolutions	Holding Period
India	10% shareholding	No holding period requirement.
Australia	5% of votes or 100 shareholders	No holding period; written submission required.
China	1% of shares (solo or group)	No holding period; submit ≥10 days before meeting.
Hong Kong	2.5% of votes or 50 shareholders	No holding period; may vary by company rules.
Japan	1% of votes or 300 units	Must hold shares ≥6 months unless stated otherwise.
Malaysia	5% of votes or 100 shareholders	No holding period; per Companies Act 2016.
Singapore	5% of votes or 100 shareholders	No holding period; per Companies Act s.183.
South Korea	0.5% (KOSPI) or 1% (KOSDAQ)	Must hold shares ≥6 months.
Taiwan	1% of shares	Must hold shares ≥1 year.
Thailand	5% of votes	No holding period; may vary by company rules.
Canada	1% of votes or shares worth ≥ CAD 2,000	Varies by province; CBCA allows aggregation.
UK	5% of votes or 100 shareholders	No holding period; per Companies Act 2006.
US	\$2,000 (3 yrs), \$15,000 (2 yrs), or \$25,000 (1 yr)	Must meet holding period; one proposal per person per meeting.

Source: Asian Corporate Governance Association

As mentioned above, India's legal requirement is significantly higher. The current process inhibits the rights of minority shareholders in challenging contentious decisions taken by management and raise voice against misgoverned companies.

Quantum has initiated efforts across several investor groups to seek prospects of collaborative engagements to drive stewardship in India. Though we have not been able to create any such formal investor group yet, we will continue to invest efforts in that direction.

#### Joint Stewardship

##### Engagement:

During the FY'25, Quantum engaged with the Mutual Fund industry body viz Association of Mutual funds of India (AMFI) and the leading mutual fund houses, for drafting a policy by which the mutual funds can collectively raise their voice against issues of prejudice to minority shareholders. The discussion centred upon collective action against cases of unfair treatment towards minority shareholders for cases like ICICI Securities and ICICI Bank merger. The unfair share exchange price was detrimental for minority shareholders. Elaborated further in Principle 11. ([Page No. 86](#))

##### Outcome:

Quantum's proposal would also enable, the achievement of legal threshold of minimum 10% shareholding for proposing company resolutions given the collective shareholding of AMCs held in companies. This proposal would hold the companies accountable of their actions and thus lead to betterment of markets. However, the mutual fund industry could not reach consensus, and our proposal was not accepted.

### Collaborative engagements - Industry bodies/initiatives

Quantum is involved in several industry memberships and initiatives, which serve a variety of purposes. Our participation in these helps to inform and develop our own internal practices, contribute to specific industry best practices, and serves to bring about positive environmental, social, and economic change.

As India is at a very nascent stage to their journey of 1.5-degree's pathway, we would like to give time to companies to build their capacity and work towards a credible pathway of being a net zero nation. We have taken an approach of collaborating with various stakeholders like NGOs, regulatory bodies to help evolve a regulatory landscape in India as well as recommend the companies to follow the right path through constructive engagements and letters.

In the current reporting year, we have collaborated with a number of global organisations for bringing awareness about workforce welfare, environmental issues, sustainable finance, etc. to have dialogues related to global best practices and where is India as an emerging market lacking in those areas.

#### Please find below outcomes form the current period from collaborative engagements.

##### 1. Workforce Disclosure Initiative (WDI):

- **Engagement:** As the first WDI signatory from India, an action group to improve corporate transparency and accountability on workforce issues, Quantum has submitted its 2025 report. During the year additional Indian companies from our coverage indicated interest on submitting WDI reports the first time. We also contributed as panellists at WDI-organized events, including the United Nations Responsible Business and Human Rights Forum.
- **Outcome:** Our perspectives on evolving workforce dynamics in an emerging market such as India received appreciation. Given our unique observations from our ground-level research, we received a follow-up invitation to talk on a panel at the India Philanthropy Forum scheduled to happen in London near the end of this year.
- **Investment impact:** We partially enhanced the disclosures requirements of WDI into the "Social" pillar of our proprietary ESG model. After the inclusion of WDI parameters into our model, we updated the internal ESG ratings of our companies which had in impact on our investment decisions.

##### 2. Confederation of Indian Industry (CII):

- **Engagement:** We participated in several engagement events organized by the CII. For instance, at their stakeholder consultation roundtable, we shared our perspectives on enhancing the qualitative aspects of sustainability-linked disclosures and encouraged the inclusion of metrics already reported to regulators but not reflected in standard corporate disclosures. Additionally, we formed a part of their panellist at this event on "ESG in Finance: A Multi-Faceted Approach," where we discussed practical challenges in assessing Indian corporate sustainability disclosures alongside key policymakers and industry leaders.
- **Outcome:** Our insights at the roundtable were well received across these engagements. Our feedback on disclosure-related gaps were documented along with the comments from other stakeholders and shared with

policymakers. Besides that, our role as a panellist at their event also led to recognition and follow up invitations from other stakeholders, demonstrating the relevance and value of our contributions. Our participation as a panelist also led to direct follow up invitations from industry associations and government linked working groups, reflecting the credibility of our inputs.

- **Investment Impact:** Feedback from these sessions has informed refinements in our own internal ESG disclosure checklist, now emphasizing the consistency between regulatory and sustainability-reporting data across our portfolio holdings.

##### 3. Department of Economic Affairs, Ministry of Finance:

- **Engagement:** In early 2025, India released a draft framework for its forthcoming national taxonomy. We engaged with members of the task force responsible for its development and participated in related roundtables, including those organized by the Asia Investor Group on Climate Change, providing feedback on desirable components for the taxonomy.
- **Outcome:** Although the final taxonomy is yet to be published, our perspectives were incorporated into the feedback documented for policymakers, reflecting the recognition of our expertise and insights.
- **Investment Impact:** Insights from the taxonomy process are already being applied to refine Quantum's internal ESG materiality mapping and to anticipate disclosure requirements likely to influence portfolio allocation in future sustainable-finance-aligned products.

##### 4. Just Transition Financing Lab:

- **Engagement:** We also participated in a closed-door roundtable on Just Transition Financing in India, organized by IEEFA and the Just Transition Finance Lab (LSE). The event brought together diverse stakeholders, including regulators & financial intermediaries, to discuss key transition related risks and major challenges in India's net zero journey.
- **Outcome:** Our viewpoints on India lacking sufficient backend power storage capacity infrastructure for transitioning towards a greener future and the call for more assurance requirements on social disclosures at this session were noted by some key policymakers who were part of that discussion.
- **Investment Impact:** The insights from this collaboration are informing our internal research on lack of infrastructure for Just

Transition and is influencing our upcoming assessment framework for companies exposed to high-carbon-intensity sectors.

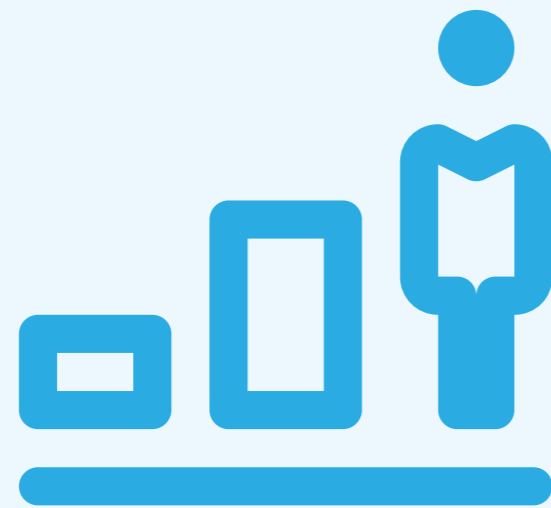
##### 6. International Corporate Governance Network (ICGN):

- **Engagement:** Quantum is the first Indian signatory at ICGN, which focuses on advancing high standards of corporate governance and investor stewardship globally.
- **Outcome:** The engagement with ICGN has helped us in strengthening our governance assessments and also put India on the global governance discussions. Further the CEO of ICGN, Jen Sisson is scheduled to conduct a road show in India. As part of this initiative, Quantum has organized most anchor meetings with prominent policymakers & key stakeholder engagements to strengthen ICGN's connections with the Indian stakeholder community.
- **Investment impact:** Our ongoing discussions with ICGN have helped us in strengthening our governance assessment particularly in relation to accountability of independent directors.

##### 7. The Associated Chambers of Commerce and Industry of India (ASSOCHAM):

- **Engagement:** We participated as a panellist at their event to discuss our viewpoints on aligning global ESG frameworks with the requirements of India.
- **Outcome:** Our detailed insights on challenges related to customizing global ESG strategies to align with India's cultural, regulatory, and economic landscapes were well regarded. This event stood out because of the presence of prominent policymakers from the Indian Ministry at this gathering. Following our discussion at this event, a number of well-recognized officials have stayed in touch with us and kept the door open for future one-on-one engagements wherever possible.
- **Investment Impact:** The discussion reinforced our internal stewardship focus on local materiality mapping. We are incorporating these learnings into our ESG scoring templates to better capture India-specific disclosure quality and regulatory alignment across portfolio companies.

Finally, it is to be noted that not all collaborative engagements achieved immediate change. Some consumer and mid-cap industrial issuers have yet to commit to improved workforce disclosures despite repeated follow-ups under WDI. Likewise, the implementation of SEBI's draft disclosure framework remains pending final regulatory adoption. These ongoing efforts will continue into FY 25-26.



# PRINCIPLE 11

## Escalation

## PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

### Activity

#### Signatories should explain:

- The expectations they have set for asset managers that escalate stewardship activities on their behalf;

OR

- How they have selected and prioritized issues, and developed well-informed objectives for escalation;
- When they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and
- How escalation has differed for funds, assets or geographies.

### Outcome

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

#### How they have selected and prioritized issues, and developed well-informed objectives for escalation;

#### When they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples;

We engage with all our portfolio companies at least once in every 6 months. We also vote on all resolutions of our portfolio companies and voice our concerns through our votes. When the company is facing allegations of serious nature that questions the business or ESG practices of the company, we would prefer the company to act immediately to clarify their position and in the event of an alleged wrongdoing and undertake steps to rectify the situation such as launching an independent investigation.

After discussing the issue internally and the gravity of underlying ESG issues that remain unaddressed, the following escalation is sought:

- 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 course of our action depends on the seriousness of the problem. If our engagement efforts are primarily focused on requesting companies to disclose material E&S information in the public domain, we will be willing to give the company reasonable time before they develop internal capacity to monitor and disclose E&S related data. This approach is adjusted for the fixed income engagements where there is no ability to vote at meetings. Fixed income escalation may take the form of public statement, legal protection of our rights or divestment. As mentioned above the equity escalation strategy includes engaging with the company & getting clarity on the issues.

#### How escalation has differed for funds, assets or geographies.

**Geographies:** Quantum solely invests in Indian markets, and therefore all our stewardship and engagement activities are focused within India. Escalation differs across asset classes, reflecting the nature of each strategy rather than geographic variation.

**Fixed Income:** Our investment strategy for Fixed Income focuses exclusively on sovereign debt instruments. Due to the inherent nature of sovereign bonds, which represent the direct obligations of national governments, escalation practices typically employed with equity holdings are not applicable in this context.

**Multi Asset:** Our Multi asset fund diversifies across 3 major asset classes; equity, debt & gold. Depending upon the invested allocation in each asset class, the respective escalation practice of each class is applicable.

**Equity:** kindly refer below mentioned examples in the outcome for the equity asset class.

## Case Study 1

**Company:** ICICI Securities

### Background

ICICI Bank had convened Tribunal Convened Meeting (dated 27th March 2024) for the merger with its subsidiary, ICICI Securities (ISec). Quantum had voted AGAINST the resolution due to the following reason: Our response via escalation was incepted in FY 2024 and was mentioned in our previous stewardship report. It may be noted that the escalation included litigation, the outcome of which was pending in FY 2024. The judgement of the case as mentioned in the outcome below, was passed in FY 2025.

The swap ratio of 67 equity shares of ICICI bank for 100 shares of ICICI Securities for the merger is detrimental for minority shareholders of ICICI securities. The valuation offered for ICICI Securities places it at 15.7x PE multiple which is 30% lower than the lowest valued peer, Angel One trading at 20.4x PE as on 11th March 2024. On a comparison basis, had ISec been valued at 20.4x PE (same as Angel One), each ISec share would have been valued at ₹ 940 (derived) as against ₹ 722/share (derived) which is offered under the current arrangement. Consequently, the loss per share would stand at ₹ 218 leading to a total loss of ₹17.8 billion to the 81.5 million minority shareholders.

The resolution was passed with 72% votes in FOR and 28% votes in AGAINST. As can be observed, there was significant dissent from the public shareholders, and the resolution got narrowly passed with 72% support v/s regulatory requirement of 66%.

### Engagement

Quantum had several calls with the management, to understand their stance on the matter. The management clarified that it has followed due process, and the swap ratio has been determined by Independent Valuers viz PwC Business Consulting and Ernst & Young Merchant Banking Services LLP.

In view of the injustice towards minority shareholders, Quantum wrote a letter to ICICI Bank and ISec stating out the issues relating to Isec's delisting. A copy of the letter was also marked to the Indian securities market regulator, Securities & Exchange Board of India (SEBI) and the stock exchanges.

Further, we also filed an official complaint with SEBI against the said delisting via SEBI Complaint Redressal System. Isec responded that all the regulatory procedures have been duly complied with in respect of the proposed delisting and the valuation offered was fair to minority shareholders.

Simultaneously, while scrutinizing the Notice issued by Isec to shareholders for the Tribunal Convened Meeting, we noticed that there were non-compliances on part of Isec with respect to disclosure mandated by the stock exchanges to be made in the notice while granting their no-objection for the proposed delisting. These non-compliances pertained to inadequate disclosures pertaining to valuations of Isec and the exemption obtained by Isec from SEBI from strict compliances of the SEBI Delisting Regulations, which deprived the minority shareholders of material and relevant information for making well-informed decision while voting at the meeting.

Around the same time, SEBI received complaints from a set of minority individual shareholders that they were receiving calls from officials of ICICI Bank (the holding company of ISec) advising them to vote in favour of the delisting at the shareholders' meeting. In response to clarification sought by the stock exchanges on these complaints, ICICI Bank and ISec responded that ICICI Bank had undertaken an 'Outreach program' to increase participation by minority individual shareholders in the voting process and the calling by ICICI Bank official to shareholders was part of this 'Outreach program'. ICICI Bank also disclosed that Isec had shared the personal data like names and contact details of its shareholders with ICICI Bank for this purpose. SEBI examined the investor complaints and issued an Administrative Warning to Isec and ICICI Bank stating that SEBI views the 'Outreach program' and sharing of personal data by Isec to ICICI as 'Inappropriate' and 'not in spirit of the Companies Act'.

Considering these facts, we filed a petition with the Hon'ble National Company Law Tribunal (NCLT) requesting the Hon'ble NCLT to declare the voting of Isec shareholders as 'vitiating' / 'void' and order Isec conduct re-voting after making appropriate disclosure as mandated by the stock

exchanges. The Hon'ble NCLT, which taking note of our contentions, dismissed our petition on the ground that while SEBI, in its Administrative Warning, had found the 'Outreach program' of ICICI Bank as 'inappropriate', it had however not stated that the voting process was vitiating.

Aggrieved by the order of the Hon'ble NCLT dismissing our petition, we have now filed an appeal in the Hon'ble National Company Law Appellate Tribunal (NCLAT) against the NCLT order and requesting NCLAT to call SEBI and seek clarification if it finds the voting process vitiating.

### Outcome

In March 2025, NCLAT dismissed our appeal on prejudice to shareholders, and upheld the delisting of ICICI Securities. The company did not take into account the injustice towards minority shareholders, which we considered as a negative factor for the company.

## Case Study 2

**Company:** Tech Mahindra

### Background

Tech Mahindra had proposed a resolution for the reappointment of Mr. Haigreve Khaitan as independent director of the company for a second term via Postal Ballot dated 26th July 2024. Quantum had voted AGAINST his reappointment due to the following reason:

Mr. Haigreve Khaitan is the partner of Khaitan & Co. The law firm acts as the legal counsel for the company. This may lead to pecuniary interest on the part of Mr. Khaitan leading to vitiating in his independence.

### Engagement

Quantum had a meeting with the management to get clarification on the role of Mr. Khaitan in the company. The company clarified that he is on the board in his professional capacity and provides his legal expertise to the board meetings.

### Outcome

Quantum changed its recommendation to FOR, post gaining clarification from the company.

## Case Study 3

**Company:** Crompton Greaves Consumer Electricals

### Background

Crompton Greaves had proposed a resolution for approval of Restricted Stock Units Plan 2024 via Postal Ballot dated 10th November 2024. Quantum had voted AGAINST due to the following reason:

The exercise price in the RSU Plan is set at face value which is at a deep discount to market price resulting in excessive benefit to the employees. This is prejudicial to the public shareholders.

### Engagement

Quantum had a meeting with the management to get clarification on the RSU Plan 2024. The company clarified that the vesting of units under RSU Plan are linked to performance metrics like revenue growth, FCF growth, EBITDA and relative total shareholder return. Further, the company management stated that its annual appraisal process is governed by individual goals for every financial year. Based on achievement of the individual goals employees are rated at the end of the financial year on a rating scale of 1 to 5 with 1 being the top performance rating. It has ensured that employees rated 5 as part of the annual appraisal cycle will not be eligible for vesting.

### Outcome

Quantum changed its recommendation to FOR, post gaining clarification from the company.



# PRINCIPLE 12

## Exercising Rights And Responsibilities

## PRINCIPLE 12

### Signatories actively exercise their rights and responsibilities

**Context**

- A vote was withheld;
- The vote was not in line with voting policy.

**Signatories should:**

- State the expectations they have set for asset managers that exercise rights and responsibilities on their behalf;

- Explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and

OR

- Explain how they have monitored what shares and voting rights they have.

- Explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies.

For fixed income assets, signatories should explain their approach to:

In addition, for listed equity assets, signatories should:

- Seeking amendments to terms and conditions in indentures or contracts;
- Seeking access to information provided in trust deeds;
- Impairment rights; and
- Reviewing prospectus and transaction documents.

- Disclose their voting policy, including any house policies and the extent to which funds set their own policies;

- State the extent to which they use default recommendations of proxy advisors;

- Report the extent to which clients may override a house policy;

**Outcome**

For listed equity assets, signatories should provide examples of the

- Disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and

outcomes of resolutions they have voted on over the past 12 months.

- State what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate ‘empty voting’.

### Exercise of rights and responsibilities on proxy and stewardship

**Activity**

For listed equity assets, signatories should:

At Quantum our approach to proxy voting is rooted in our fiduciary duty to represent the best interest of our clients. We recognize that exercising our voting responsibilities and constructive long-term engagement with companies is vital to our role as an asset manager. Please refer to our [Proxy Voting Policy](#) (Last updated 31st October 2024) on our website.

- Disclose the proportion of shares that were voted in the past year and why;

- Provide a link to their voting records, including votes withheld if applicable;

- Explain their rationale for some or all voting decisions, particularly where:

- There was a vote against the board;
- There were votes against shareholder resolutions;

As part of its fiduciary and stewardship responsibilities, Quantum extensively engages with the investee companies on various aspects

ranging from long-term strategy, operational performance, corporate governance, and material environmental and social issues (with reference to the examples provided in Principle 9: Engagement [Page No. 77](#)). It is the firm's endeavour that the investee companies exhibit an overall best in class performance and helping us minimize risks emanating from instances of potential operational mismanagement.

## Proxy voting across asset classes

We at Quantum endeavour to vote on every resolution related to our investee companies and have adopted written procedures designed to ensure that we vote in the best interests of our clients. Our procedures are standard and implemented in the same way for all the Quantum funds & portfolios regardless of asset class. The final voting decisions are therefore sole responsibility of our investment teams and all the votes are made in line with our conflicts of interest & proxy voting policies.

The proxy voting policy for each asset class/funds may differ among the group entities.

**Equity:** In case of Quantum Mutual Fund, the subsidiary, the delegated responsibility for voting remains with Quantum Asset Management Company (QAMC), and accordingly the voting is done by this entity as per its proxy voting policy. The voting for securities is consistent across all the current equity funds. The proxy voting policy can be accessed from [here](#).

Quantum Advisors manages pooled and segregated accounts. The proxy voting policy applicable for these accounts can be accessed from [here](#).

We vote on behalf of the pooled accounts in accordance with the above mentioned policy. In case of segregated accounts, we provide voting recommendations and rationales in accordance with our policy and client mandates. However, the clients undertake voting for proxy resolutions themselves.

**Fixed Income:** Our investment strategy focuses exclusively on sovereign debt instruments. Due to the inherent nature of sovereign bonds, which represent the direct obligations of national governments, stewardship practices typically employed with equity/corporate debt holdings are not applicable in this context.

**Multi Asset:** Our Multi asset fund diversifies across 3 major asset classes; equity, debt & gold. Depending upon the invested allocation in each asset class, the respective stewardship principle of each class as described above is applicable.

## Proxy voting process

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 or their ultimate beneficiaries. We restrict ourselves to providing voting recommendations and rationales, if needed as per the Client Investment Management Agreements. The proxy voting policy describes the firm's policy for voting on resolutions of investee companies. Quantum utilizes proxy advisory services of 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) is reviewed on an annual basis as part of the review of Quantum's compliance manual.

The CCO (Chief compliance officer) has the responsibility for administering and monitoring of the firm's proxy voting policy, practices, disclosures and record keeping.

It can be seen from the tables reported in Principle 8, [Page No. 71](#) that we have majorly aligned with the proxy advisors' recommendation, however, there have been instances where Quantum has used its own discretion & stewardship code while voting for company resolutions. Although we receive voting rationales and recommendations from proxy advisors, we conduct our own due diligence and take our voting decisions objectively in line with our own proxy voting policy.

The firm's policy on proxy voting clearly states that all voting decisions are taken on a case-to-case basis. 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. The decision is arrived keeping in mind the long-term interest of the client and the detailed guidelines put in place by the research and investment team.

We recognize that not all companies are the same and we strongly support the 'comply or explain' model of corporate governance. For this approach to work, companies must be willing to provide good-quality and detailed explanations of the reasons for deviation from established best practice.

The firm obtains the proxy advisory services from an independent proxy advisory service providers; Institutional Investor Advisory Services India Limited (IIAS) and Stakeholder Institutional Services (SES), Mumbai. The concerned research analyst of the firm may after considering these recommendations communicate his or her final voting decision which may also be different from the proxy advisors' recommendations. In such

cases, we do engage with the analysts at the proxy advisor to discuss and understand their rationale and arrive at an informed decision to vote. The analyst may also reach out to companies to gain any clarifications to be able to judiciously vote on resolutions.

The investment team discusses internally before voting on significant voting decisions. Where controversial issues are identified or when there is a disagreement, then the matter is escalated to the portfolio team.

For any portfolio company where we have voted against a particular resolution, but which was eventually approved, we keep engaging with the management and escalate the same to the board if necessary. We give time to the management to rectify and make changes and may trim our position in the stock based on our updated analysis on the company. If the management does not take adequate steps in time, we may consider divesting out of the company completely.

**The below table related to FY'25 also showcases our alignment with our proxy advisers' recommendations.**

### Proxy Advisor SES - Alignment with Quantum

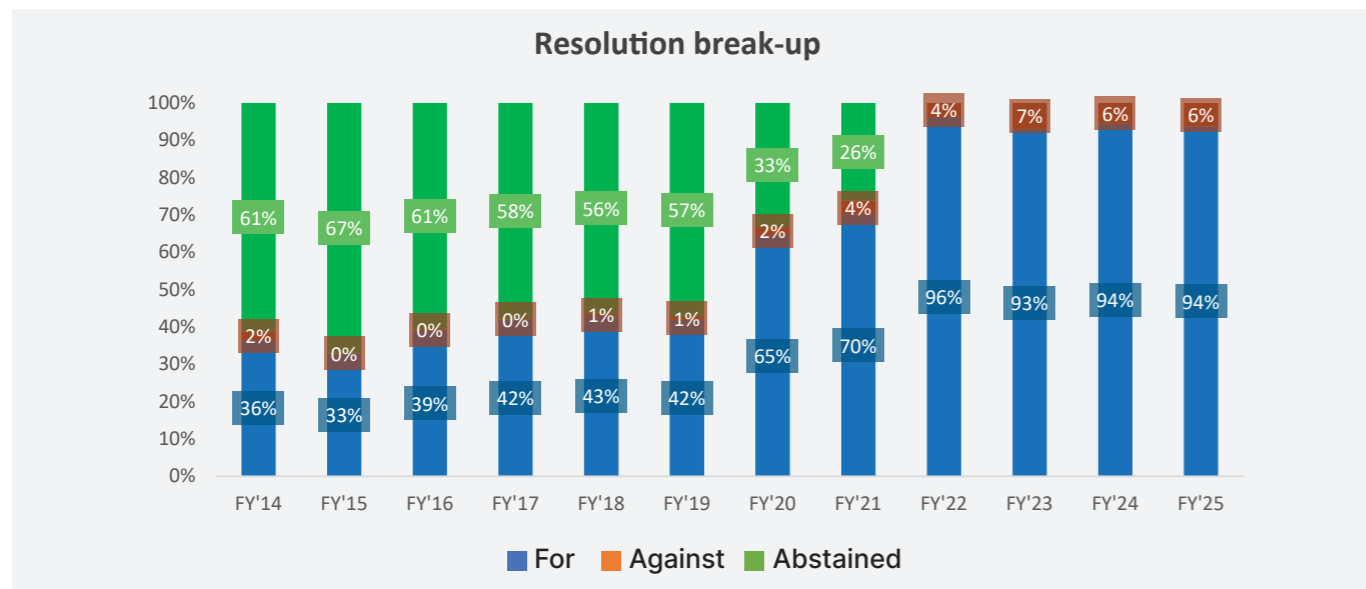
Proxy Advisor FOR Quantum FOR	1040	80%	Proxy Advisor FOR Quantum AGAINST	47	4%
Proxy Advisor AGAINST Quantum FOR	156	12%	Proxy Advisor AGAINST Quantum AGAINST	32	2%

### Proxy Advisor IIAS - Alignment with Quantum

Proxy Advisor FOR Quantum FOR	1111	86%	Proxy Advisor FOR Quantum AGAINST	33	3%
Proxy Advisor AGAINST Quantum FOR	90	7%	Proxy Advisor AGAINST Quantum AGAINST	49	4%

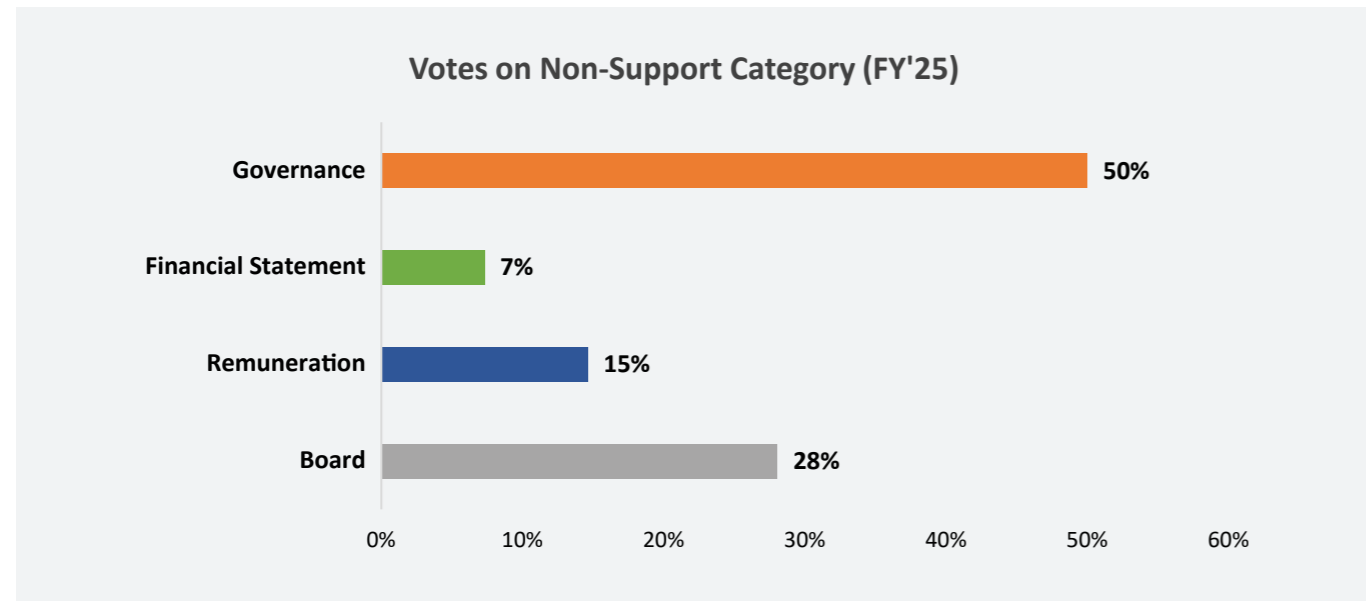
It can be seen from the above tables that we mostly align with the proxy advisor's recommendation; however, there have been

instances where Quantum has used its own discretion and stewardship code while voting for company resolutions with our on-going monitoring.



From 1,292 shareholder resolutions in FY'25, most of the resolutions were related to board structure, falling across areas like director independence, lack of active participation on the board or resolutions for perpetuity. Remuneration related resolutions were related to ESOP/RSU schemes,

ceiling limits on absolute remuneration or executive members on the Nomination and Remuneration Committee. We also voted against resolutions where related party concerns prevailed which could dampen the rights of minority shareholders.



### Compliance with the proxy voting recommendations and stock lending

Our policy for voting by proxy applies to our fund and, during FY'25 none of our clients have overridden it. As mentioned earlier, for Quantum Mutual Fund the voting is done by QAMC and at Quantum Advisors for institutional segregated

accounts we send our recommendation to clients and they themselves vote on the resolutions. At Quantum, we do not engage in stock lending and there are no plans for us to do so in the future. Hence, instances of empty voting does not occur.

Voting summary for the reporting period

Please refer below for our historic voting and resolutions during the reporting period FY'25

Voting Summary	
Total Companies	261
Total Proxy Votings	1292
Against Vote	82
FOR Vote %	93.7%
Against Vote %	6.3%
No of votes abstained	0
% of votes of abstained	0%

The voting records along with rationale for the company resolutions as voted by quantum asset management for the reporting year is mentioned below.

#### Quantum AMC Proxy Voting Records

As mentioned above Quantum doesn't undertake voting for Institutional clients, hence the voting records for those clients are not applicable

### Monitoring voting rights

At the end of every month the operations team informs on the latest holdings of Quantum across its funds. Based on this the voting is done by Quantum on the securities. Our investment & operations team keep a track on the shares purchased/sold & voting rights.

### Outcomes

#### Proxy Voting Examples

At Quantum, we do not favour stock option schemes which provided for exercise price at significant discount to market price (more than 30%). Further, we advocate for a minimum vesting period of 3 years. We believe that setting exercise price at significant discount would be prejudicial to the rights of the minority shareholders, while a shorter vesting period would vitiate the very reason for issuance of stock options viz employee retention.

In case of RSUs or ESOPs granted at face value, we believe that vesting of units should be linked with identifiable company performance metrics.

**Quantum's recommendation on proposed amendment of JSW Steel ESOP scheme is enumerated below:**

Company Name	Meeting Date	Abridged Resolution	Quantum Vote	Quantum Rationale
JSW Steel	26th July 2024	To approve the amendments to the Shri OP Jindal Employee Stock Ownership Plan 2021	AGAINST	The ESOP scheme provides for exercise price of face value viz Rs. 1 which is at steep discount to market price. Further, the company has not provided detailed performance parameters for appraisal. Therefore, we do not favour the scheme.

**The outcome of the resolution put forth by JSW Steel is mentioned below:**

Company Name	Total Votes	Votes FOR	Votes AGAINST	Outcome
JSW Steel	2,04,05,18,863	1,86,29,45,268 (91%)	17,75,73,595 (9%)	Passed

At Quantum we scrutinize the financial statements and examine the auditor's report prior to voting on resolutions relating to adoption of financial statements of a company. In cases where the auditors have issued qualified opinions on financial statements, due to material issues in the company, we vote Against for such resolutions.

**Quantum's recommendation on proposed adoption of financial statements of Adani Ports & SEZ is enumerated below:**

Company Name	Meeting Date	Abridged Resolution	Quantum Vote	Quantum Rationale
Adani Ports and SEZ	24th June 2025	Adoption of standalone and consolidated financial statements	AGAINST	The statutory auditors have qualified the standalone and consolidated financial statements on the grounds of weak internal financial controls of the company and ongoing investigation by SEBI with respect to related party transactions and allegations in a short seller report involving Adani group companies. We do not favour the resolution.

**The outcome of the resolution put forth by Adani Ports & SEZ is mentioned below:**

Company Name	Total Votes	Votes FOR	Votes AGAINST	Outcome
Adani Ports & SEZ	1,763,927,652	1,600,861,574 (99%)	163,066,078 (1%)	Passed

At Quantum we scrutinize the resolutions on the appointment of directors based on parameters like past employment history, qualifications, time commitments and attendance. We are of the view that an executive director holding a dual position of Chairman & MD, may lead to concentration of power. Therefore, we do not support such appointments on the board.

We also assess the director appointee's attendance rate in board-related meetings to understand their participation in company affairs. Quantum is of the view that directors having inadequate attendance do not actively contribute to the company's operations. We do not support appointments and payment of remuneration of directors with an attendance rate below 75% over a period of three years.

**Quantum's recommendation on the proposed reappointment of Dilip Sanghvi as Director of Sun Pharmaceuticals Ltd.**

Company Name	Meeting Date	Abridged Resolution	Quantum Vote	Quantum Rationale
Sun Pharmaceuticals Ltd	5th August 2024	Re-appointment of Mr. Dilip Shanghvi as a Director, liable to retire by rotation.	AGAINST	We take note that Mr. Dilip Shanghvi holds the position of Chairman & MD in the company which may lead to concentration of power. Therefore, we do not favour his reappointment.

**The outcome of the resolution put forth by Sun Pharmaceuticals Ltd is mentioned below:**

Company Name	Total Votes	Votes FOR	Votes AGAINST	Outcome
Sun Pharmaceuticals Ltd	2,128,584,261	2,087,677,495 (98%)	40,906,766 (2%)	Passed

**Quantum's recommendation on the proposed payment of remuneration to Mr. Vishesh Chandar in PVR Inox is mentioned below:**

Company Name	Meeting Date	Abridged Resolution	Quantum Vote	Quantum Rationale
PVR Inox	26th September 2024	Payment of remuneration to Mr. Vishesh Chandar for FY'24	AGAINST	The attendance of Mr. Vishesh Chandar is 53% over the past three years which is less than our internal threshold of 75%. Hence, we do not support the resolution.

**The outcome of the resolution put forth by PVR Inox is mentioned below:**

Company Name	Total Votes	Votes FOR	Votes AGAINST	Outcome
PVR Inox	82,974,485	81,564,407 (98%)	1,410,078 (2%)	Passed

At Quantum, we closely monitor company proposals relating to capital issuances, increase in credit lines and consequent creation of charge. We analyse the company's rationale for fund requirements, prospective dilution and utilization of existing borrowing limits. We do not support company proposals on increase in borrowings, where majority of the previous fund limits are unutilized and the company has failed to provide adequate justification for the increase in borrowing limits.

**Quantum's recommendation on the proposed increase in borrowing limits in Genus Power Infrastructures Ltd is mentioned below:**

Company Name	Meeting Date	Abridged Resolution	Quantum Vote	Quantum Rationale
Genus Power Infrastructures	28th April 2024	To approve revision in overall borrowing powers of the Company	AGAINST	More than 50% of the company's borrowing limit is unutilized. Further, there wasn't enough disclosures for the proposed increase in its borrowing limit. The proposed borrowing limit is more than the asset size of the company, increasing risks for investors.

**The outcome of the resolution put forth by Genus Power Infrastructures is mentioned below:**

Company Name	Total Votes	Votes FOR	Votes AGAINST	Outcome
Genus Power Infrastructures	223,326,939	208,882,915 (94%)	144,44,024 (6%)	Passed

**Proxy voting under fixed income category**

Quantum solely invests in sovereign bonds as a part of its fixed income fund. Therefore, proxy voting is not applicable.



## Contacts

To ensure we continue to meet our key stakeholder needs and interests, we welcome feedback on the contents on this report.

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