



**Stewardship Code and Voting Policy**

<b>Name of Company</b>	<b>ValueQuest Investment Advisors Private Limited</b>		
<b>Applicability</b>	<b>Alternative Investment Funds registered with SEBI and being managed by Company</b>		
<b>Version</b>	<b>Approval Date</b>	<b>Created by</b>	<b>Approved by</b>
<b>1/2023</b>	<b>3 March 2023</b>	<b>Compliance team</b>	<b>Board of Directors</b>
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## 1. Introduction

ValueQuest Investment Advisors Private Limited (the “Company” or “VQ”) is an Asset Management Company registered under Companies Act, 1956 and acts as the manager of below mentioned Alternative Investment Funds established and registered under the provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 read with amendments and circulars (“SEBI AIF Regulations” or “Regulations”).

Amicorp Trustees (India) Private Limited, acting as trustee on behalf of the below-mentioned Funds has appointed ValueQuest Investment Advisors Private Limited as Investment Manager of the Funds launched under the Trust (hereinafter referred to as “the Investment Manager” or “Manager”).

Trust	SEBI registration no	Trustee	Funds launched
ValueQuest Alternate Investment Trust	IN/AIF2/22-23/1156	Amicorp Trustees (India) Pvt. Ltd	1. ValueQuest S.C.A.L.E Fund
ValueQuest India Investment Trust	IN/AIF3/24-25/1508	Amicorp Trustees (India) Pvt. Ltd	1. VQ FasterCAP Fund

The Investment Manager is responsible for managing the affairs of the Funds and formulate policies and procedures in accordance with the Fund documents and applicable regulations for effective implementation and management of Funds investments and operations.

Institutional investors across the world are expected to shoulder greater responsibility towards their clients/ beneficiaries, commonly referred to as 'Stewardship Responsibilities'. In this regard, SEBI vide Circular<sup>1</sup> dated 24 December 2019 (the 'Circular') prescribed a 'Stewardship Code' which is required to be mandatorily followed by all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities.

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.),

<sup>1</sup> “Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities” ([https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities\\_45451.html](https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities_45451.html))

strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc.

SEBI has mandated all AIFs to formulate a comprehensive policy on the discharge of its stewardship responsibilities, and as part of that, additionally formulate a Voting Rights Policy in order to exercise the voting rights of the Fund in accordance with the best interests of the Investors of the Funds. Both these policies are required to be publicly disclosed, reviewed and updated on a periodic basis. Hence, this Policy has been adopted to comply with the prescribed requirements.

The responsibility of the Investment Manager towards the AIF includes, inter alia, the discharge of the stewardship responsibilities, as laid out in this Policy. Further, this Policy will apply to the Investment Manager, the Fund and the Investors of the Fund.

## **2. Discharge of Stewardship responsibilities**

Principle Number o1 and SEBI's Guidance:

***Every institutional investor should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.***

Fund's Policy on implementation of the above Principle:

As part of the stewardship responsibilities, the Investment Manager shall undertake following activities:

- a. The Investment Manager shall ensure that a comprehensive Policy on discharge of Stewardship responsibilities is in place at all times. The Investment Manager shall review this Policy on a periodic basis and publicly disclose on the Investment Manager's website -<https://www.valuequest.in>.
- b. The Investment Manager shall monitor and actively engage with investee companies on various financial, operational and other matters like performance, corporate governance (including board structure), strategy, risk identification and management, material environment, social and governance (ESG), etc. This would entail tracking relevant news and updates like financial results and corporate disclosures, regular interactions with the investee managements, relevant voting at shareholder meetings, representation to the board of directors if required, etc. Further, these activities shall not be outsourced.
- c. The Investment Manager shall provide a copy of this Policy document to the employees on their joining and on subsequent updates of the document. The

Investment Manager shall organise periodic trainings for the relevant personnel at the time of their onboarding.

Principle Number o2 and SEBI's Guidance:

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

Fund's Policy on implementation of the above Principle:

As part of the stewardship responsibilities, the Investment Manager shall undertake following activities:

- a) The Investment Manager shall put in place a comprehensive Policy for identifying, monitoring and managing conflicts of interest at all times. The policy shall be reviewed and updated periodically by the Investment Manager and publicly disclosed along with rest of the Stewardship Policy. The policy shall briefly address the following:
  - Identifying possible situations where conflict of interest may arise;
  - Procedures to be put in place to mitigate the conflicts of interest; and
  - Periodical review and update of such policy and public disclosure
- b) The Investment Manager shall always act in the best long-term interest of the beneficiaries of the Fund. While addressing any potential conflicts, the Investment Managaer shall put the interests of the beneficiaries above its own interests.
- c) *For identification of potential conflicts of interests:*
  - The Investment Manager shall formulate a questionnaire in order to check for potential conflict of interests.
  - Such disclosures shall be given by the Investment Manager and its employees on introduction of this Policy and also at the time of joining of new employees. Further, these disclosures shall be refreshed annually, or whenever there is a material update to the information.
  - Misrepresentation of the facts or failure to disclose relevant conflict shall be severely dealt with, including termination of said employee.

*For further information on identification of potential conflicts of interest, please refer to the **Conflict-of-Interest Policy**.*

- d) *For mitigation of conflicts of interest:* In case any potential conflict of interest is identified, the following procedures shall be implemented to mitigate such conflict of interest:

- The situation shall be reviewed by the Investment Manager, after the conflicted person has recused themselves, to ensure that the interests of the beneficiaries of the Fund are placed above its own interests.
  - Resulting decisions may include blanket ban on certain types of investments, not investing in certain companies, or unwinding existing investments of the conflicted person or the Fund.
- e) The Investment Manager will be transparent and make disclosures with respect to conflicts of interest situation that the Investment Manager determines may have arisen (or which seem likely to arise) between the Interested Parties and the Fund (or any of its Investee Entities).
- f) The Interested Parties shall exercise a standard of good faith in their dealings with the Fund and any of its Investee Entities.
- g) The Investment Manager shall provide a copy of the Policy document to the employees on their joining, and on subsequent updates of the document. The Investment Manager shall organise periodic trainings for the relevant personnel at the time of their onboarding.

Principle Number o3 and SEBI's Guidance:

***Institutional investors should monitor their investee companies.***

Fund's Policy on implementation of the above Principle:

- a) The Investment Manager shall monitor the investee companies of the Fund considering all aspects including the following:
- Performance of the companies;
  - Corporate governance;
  - Strategy;
  - Risks, etc.
- b) The Investment Manager shall identify the following for monitoring of the investee companies:
- Different levels of monitoring for different investee companies;
  - Areas of monitoring;
  - Mechanism for monitoring;
  - Situations where the fund would not like to be involved with the investee companies; and
  - Situations which may trigger communication of insider information of the investee companies.
- c) The areas of monitoring of the investee companies shall include the following:

- The aspects of investee company strategy and performance such as operational, financial, capital allocation decisions like capacity expansions or mergers and acquisitions, etc.;
  - Industry-level monitoring and possible impact on the Investee Companies;
  - Quality of Company Management, Board of Directors, leadership, etc;
  - Corporate Governance including remuneration, structure of the Board, related party transactions, etc.;
  - Risks, including Environmental, Social and Governance (ESG) risks;
  - Shareholder rights, their grievances, etc.;
- d) The Investment Manager shall comply with SEBI (Prohibition of Insider Trading) Regulations, 2015 while dealing with the investee companies.

Principle Number 04 and SEBI's Guidance:

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

Fund's Policy on implementation of the above Principle:

- a) The Investment Manager shall identify the circumstances for active intervention in the investee companies and the manner of such intervention.
- b) The circumstances for intervention may, inter alia, include poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation etc.
- c) The Investment Manager shall consider intervention in the affairs of the investee companies even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand.
- d) The mechanisms for intervention may include meetings/discussions with the management for constructive resolution of the issue and in case of escalation thereof, meetings with the boards, collaboration with other investors, voting against decisions, etc.
- e) The Investment Manager shall identify and disclose various levels of intervention and circumstances in which escalation is required which may include interaction with the companies through institutional investor associations (E.g., AMFI).
- f) The Investment Manager shall undertake regular assessment of the outcomes of such intervention.

*The Investment Manager will follow the following escalation matrix:*

- *Communication* – The Investment Manager will communicate with the investee company’s management teams to resolve any concerns and steps required to be undertaken to mitigate any potential concerns.
- *Engagement* – In case of failure on part of the investee company to undertake constructive resolution steps, the Investment Manager will engage with such investee companies on a timely basis.
- *Collaboration* – If deemed necessary, the Investment Manager will consider collaborating with other institutional investors, professional associations, or any other entities to make a collective engagement or joint representation with the investee company.
- *Escalation* – In case of failure on part of the investee company to adhere to the concerns raised, the Investment Manager will escalate the same to the Board of Directors of the respective investee company through a formal written communication elaborating on the concerns in question. The Investment Manager may also discuss the issues at the General Body meeting of the investee company. The Investment Manager may vote against the decision at appropriate forum.

Principle Number 05 and SEBI’s Guidance:

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

Fund’s Policy on implementation of the above Principle:

- a) The Investment Manager shall always vote in the best long-term interests of the Fund’s beneficiaries and to improve governance of the investee companies after in depth analysis rather than blindly supporting the management decisions.
- b) The Investment Manager shall identify the following:
  - details of mechanisms of voting,
  - circumstances in which voting should be for/against/abstain, disclosure of voting, etc.;
- c) The voting policy, voting decisions (including rationale for decision), use of proxy voting/voting advisory services, etc. shall be publicly disclosed by the Investment Manager. The Investment Manager shall disclose voting activity to its investors on an annual basis. By virtue of the Voting Policy, the Investment Manager shall undertake the following:

➤ **Assessment of Proposals and Decision Making:**

- Investment Manager will generally vote with the management of the Investee Companies on routine matters. However, when the Investment Manager believes that the long-term interest of an Investee Company's shareholders, and hence of the Fund's beneficiaries, will be negatively impacted by any proposal, then the Investment Manager may vote against such proposal.
- The Investment Manager shall review the different proposals put before the shareholders and arrive at a final decision of how to vote, keeping in mind the long-term interests of the Fund's beneficiaries.

➤ **Voting Mechanism:**

- The voting decision shall be communicated via online (e-voting), in person, or through representatives (including the Fund's Custodians) appointed to attend and vote at the Investee Company's meeting.
- In case there is a critical shareholder proposal which merits a high level of importance, the Investment Manager may attend the meeting in person, thus helping to engender further discussion and debate.

➤ **Oversight Committee for Escalation Mechanism:**

In case of grievances arising from voting and related activities / related escalations, if any, such grievances / escalations shall be handled by the Investment Committee or Board as applicable to a particular Fund

➤ **Disclosure of Voting Details (periodicity of disclosure, actual voting details, voting rationale, manner of disclosure):**

The Investment Manager shall share a report of its voting to the beneficiaries of the Fund once a year. However, such details should always be available on request.

➤ **Use of Proxy Voting or Other Voting Advisory Services:**

The Investment Manager does not expect to use voting advisory services, but in case it does, it shall appropriately disclose the scope and extent of such services. Further, the Investment Manager does not contemplate to constitute an Advisory Committee.

Principle Number o6 and SEBI's Guidance:

***Institutional investors shall report periodically on their stewardship activities.***



Fund's Policy on implementation of the above Principle:

- a) The Stewardship Policy shall be disclosed publicly on the Investment Manager's website <https://valuequest.in/>. Further, the Stewardship Policy will be reviewed and updated periodically by the Investment Manager.
- b) Furthermore, a report of the stewardship activities shall be prepared and shared once a year with the Fund's beneficiaries.