

Engagement & Proxy Voting in 2023¹: A Year in Review

The ESG landscape experienced significant turmoil in 2023. What remained steadfast was our belief that engagement and proxy voting should be guided by thorough active research and centered on the most financially material ESG issues. This approach enables us to act as custodians of capital in our clients' optimal long-term interests.

We voluntarily submitted our Responsible Investment practices utilizing the PRI Reporting framework. Access our transparency report for FY22 here: <https://ctp.unpri.org/dataportalv2/transparency>

Our engagement relies on comprehensive investment research into companies, complemented by evaluations of sector-specific dynamics, and financially material ESG themes. We leverage two ways to influence our investee companies: the first way is through direct dialogue with companies (engagement), seeking information, building a relationship, and pointing out gaps and opportunities. Our active dialogue with companies fosters engagement activities, providing them insights into investor expectations of corporate behavior. The second way is through voting activities, exercising voting rights at shareholder meetings. By combining voting and engagement, we believe it is possible to achieve long term change at companies and maximize influence and value creation over the long term.

To date we have brought more than 90 companies under coverage using our internal ESG framework and actively maintain a database of these companies. In 2023, our Equity Investment team participated in more than 50 individual or collaborative engagements addressing 35 ESG material issues. These engagements specifically encompass situations in which the investee company showed a willingness and receptiveness to address the raised concerns.

From a thematic perspective – the top three areas of engagement by issues were climate change, human capital, and governance. Broadly, environmental engagements focus on climate-related concerns in hard-to-abate sectors, supplier sustainability and circular operations while social engagements address diversity, safety, labor controversies, access & affordability, workforce turnover, and human capital management (35). While the majority of our commitments involve direct participation (96%), we also utilize three significant collaborative endeavors: CA100+, NA100, and ATNI. Starting in Q2 2024, our collaborative involvement with the latter two initiatives is set to commence. Governance (21) areas include board oversight on ESG, board structures, management churn, audit matters, balance sheet and accounting matters, promoters pledging, conflicts, related party transactions and material controversies. In 2023 we were involved in 343 shareholders' meetings representing 3,011 proposed resolutions. 10% of our votes were against, 39% of which relate to director appointments.

During the year 2023, our voting decisions covered a range of issues including Board appointments, Compensation, Audit/Financials, ESOPs, Borrowing/Fundraising, and more. The most significant decisions focused on directors' appointments, compensation and benefits, and related party transactions.

Our voting process is guided by the principles outlined in our board-approved proxy voting policy, available here: https://www.dspindia.com/esg/proxy-voting-dspsmf_eff_20042023.pdf

This process involves several steps and inputs from relevant experts to ensure well-informed decisions. It begins with the Analyst, an expert in the sector/domain who closely monitors the industry and the investee company. Additionally, we seek insights from independent proxy advisors (IIAS). Based on these inputs and in adherence to our proxy voting policy and internal guidelines, we make our voting decisions.

The investment team thoroughly analyzes each voting proposal, considering the perspective of a third-party proxy advisory firm on the resolution. The team independently records a detailed rationale for either supporting or not supporting the voting decision, regardless of the proxy advisory firm's recommendations. According to SEBI (the Indian market regulator) guidelines, abstaining from voting is not an option.

In the upcoming stage of the engagement cycle, our intention is to continue to connect with companies, sustain the ongoing dialogues, and strive to resolve outstanding engagements.

¹ Calendar year 2023

Beyond engagement, we actively represented the firm at prestigious events like the India Sustainable Investment Leadership Summit (Mumbai) on sustainable finance, Roundtable Discussion on the Transformation of the Steel Sector in Asia on decarbonization (Tokyo), Bloomberg Corporate Round Table on Net Zero credibility and greenwashing (Mumbai), and the Department of Finance & Business Economics annual convention on ESG in the mutual fund industry (Delhi), contributing to the much needed transparency and discourse on sustainable finance. We strive to remain involved in shaping the conversation surrounding sustainable finance.