

AEQUITAS 

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AEQUITAS EQUITY FUND

STEWARDSHIP CODE



1. Background

The purpose of this Code is to describe the approach taken by Riseequities Managers LLP (“Riseequities”) (Investment Manager of Aequitas Equity Fund) towards its stewardship responsibilities based on the principles indicated by Securities and Exchange Board of India (“SEBI”) vide circular reference no CIR/CFD/CMD1/168/2019 dated 24th December, 2019. The purpose of this Stewardship Code is to enhance the quality of engagement between with the investee companies to help improve the Corporate Governance practices with a view to enhance long term returns for the unitholders.

2. Scope

This Code covers the framework and the various processes that need to be followed for discharging the Stewardship responsibilities and its disclosure by Riseequities.

3. Objective

It is desired that the institutional investors play an active role in the general meetings of investee companies and engage extensively with their management to improve their governance standards and practices. This will result in informed decisions by the parties and ultimately improve the return on investments and protect interests of unitholders.

4. Review and approval of the Code

This Code is duly approved by the Designated Partners of the Investment Manager (“Partners”) and will be reviewed periodically as and when required

5. Compliance with the Stewardship Code

a) Discharge of stewardship responsibilities

Key important aspect of our investment process is to conduct an independent research and to engage with management of companies, on a range of issues, including material environmental, social, and governance (ESG). Majority of our company research is result of interaction with company’s management, suppliers, customers, and competitors. Investor calls and Annual general meeting of the investee companies are duly attended.

The goal of our stewardship activities will be in engaging with company managements and voting proxies on our clients’ behalf is to support decisions that we believe will maximize the long-term value of securities we hold in client portfolios.

The investment team shall actively monitor and engage with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate



governance (including board structure, remuneration, etc.), ESG opportunities or risks, capital structure, etc. However, the degree of influence of each factor differs depending on the company's growth phase. Best corporate governance standards and corporate responsibility will be promoted.

As a part of the ongoing process, the investment team conducts regular meetings with management of investee companies as well as companies which are under active consideration.

As a policy, the Partners will not seek to nominate its representative on the Board of an investee company based on its investments in the investee company, unless necessary and / or if the Partners decides that a nominee is warranted.

The Partners will discharge stewardship responsibilities in consultation of Institutional Investors advisory services as and when required.

The investment management team duly undergoes training pertaining to the implementation of this Stewardship Code, at regular intervals.

b) Managing Conflicts of Interest:

Our broadly diversified client base and functional lines of responsibility help to minimize the number of potential conflicts of interest in relation to stewardship, though they cannot prevent such conflicts entirely. We have adopted and implemented policies and procedures that we believe are reasonably designed to manage conflicts if they arise. Fund managers and analysts aim to avoid the occurrence of any conflicts of interest. In the event of any doubt as to whether a particular transaction would create (or have the potential to create) a conflict of interest, employees, officers and directors shall consult with the Chief Investment Officer or the Compliance Officer.

The Investment Manager has established written policies and procedures to identify, monitor and appropriately mitigate conflict of interest on a continuous basis throughout the term of the Fund. It is possible that other actual and potential conflicts of interest may arise but, the Investment Manager will endeavor to resolve all such conflicts in a fair, reasonable and equitable manner and considering the best interest of the unitholders.

While dealing with the investee company, there can be instances where a potential conflict of interest may be identified between the Partners and the unitholders of the fund.

Some of the key instances may be listed as under –

- The investee company or its group companies or affiliates is a unitholder of the fund
- The investee company is associated with or rendering services to the fund



- Any of the group companies or affiliates of the AIF is a vendor or partner of the investee company
- Key managerial personnel of the Investment Manager may have personal interests that conflict with their responsibility to act in best interest of unitholders of the fund
- The Investment Manager and its Affiliates may sponsor, manage or incubate other investment funds that may have investee company similar to the Fund the AIF (including its employee, officer or director) is likely to make a financial gain, or avoid a loss, at the expense of a unitholder or the investee company.

Personal interests include direct interests as well as those of family, friends, or other organizations a person may be involved with. Further, conflict of interest may be actual or potential and may be financial or non-financial in nature.

The Investment Manager avoids certain conflicts ab initio as it does not have any client relations/ sales functions.

The Investment Manager will manage conflict of interest by requiring the Partners involved in implementing the stewardship code to avoid conflict of interest wherever possible. Where a conflict is identified, the matter will be referred to the 'Conflict of Interest' Committee. The conflict will be discussed, and a final decision will be made ensuring that the decision serves best the unitholders of the Fund. The final decision and supporting rationale will be well documented for future reference.

c) Monitoring the investee companies:

Monitoring the investee companies on a range of issues, including ESG matters, have always been central to our investment process. Majority of our company research is result of interaction with the company's management, suppliers, customers, and competitors.

Fund managers and analysts endeavor to accurately assess investee companies by utilizing all the information available in public domain. Investment decisions are based upon thorough analysis of financial information including earnings trends and capital structures, as well as non-financial information like management strategies and firms' ESG strategies. Such information is acquired through disclosures made by the companies, holding regular meetings and appropriately engaging with investee companies to the extent possible.

The Partners have set a threshold level below which the exposure to the investee company will be deemed to be considered as passive investments and the level of monitoring will be less intense. Any investment by the fund which is below 5% of the portfolio shall be considered as passive investment.

The mechanism adopted for monitoring purpose will include but is not limited to the following:



- Publicly available information
- Management interaction through meetings / earnings call
- Broker research and inputs
- Industry information

Though most of the companies interact with institutional investors, in some cases, few investee companies do not interact as management is not accessible or investment team believes that there is no incremental information which is being provided by the management. In such cases, the investment team will undertake monitoring through other sources such as information available in public domain and checks with suppliers, peers, customers of the company to the extent feasible.

Key areas for monitoring would include strategy and business outlook, financial performance, management evaluation and corporate governance issues, capital structure etc. Monitoring on areas like succession planning, remuneration, environmental issues will be undertaken on best effort basis.

The Company has duly adopted an Insider Trading Policy which is mandatory for all the employees in the organization and the research team abides for obtaining the information from the management and also at the time of dealing with such information.

d) Intervention in the investee companies:

The Investment Manager may intervene into the investment company on case-to-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.

This decision regarding intervention will be taken based on the disclosures, non-compliance of regulations, various performance parameters, governance issues, financial performance of the company, ESG risks, corporate plans/ strategy, etc.

For initiating such intervention, the investment in the company should be above the threshold limits as stated above. However, the Investment Manager may decide to intervene in companies where the investment is below threshold level, depending on the criticality of the issue.

As a first step of intervention, meetings shall be conducted with the management of investee company in a confidential manner with the intent to resolve the issues constructively. However, in case the outcomes of these meetings are not satisfactory, one may choose to escalate the matter further and can also seek for judicial help, if required.

First level of escalation will be internal, wherein further course of action will be decided. This may include decision to divest or escalate the matter to regulatory authorities or even collaboration with other investors.



The Investment Manager may also choose to escalate the issues to the Board of Directors of the investee company or to the Committee of the Independent Directors. Despite escalation if there is no satisfactory response or remedial action taken by Investee Company, the Investment Manager may decide to report the issues to the relevant regulator, authority or any Government body as may be required.

All the communication and discussions with the management of the investee company or its Board of Directors with respect to these issues will be conducted in private and confidential manner.

Collaboration with other institutional investors

In certain cases, engagement with the management of investee companies or the issues involved in resolution needs to be voted upon by shareholders and may impact all the investors. In such cases, the Investment Manager may consider collaboration with other institutional investors as an effective strategy to resolve issues with the management of the investee company.

Such an approach of resolution would be considered appropriate only when the Investment Manager is of the opinion that the issues under consideration involve significant corporate or economic stress or threaten to destroy significant value for its unitholders / clients.

The decision to collaborate with other institutional investors will be judged on a case-to-case basis by the Investment Manager. Further, the act of collaboration with other institutional investors will not be deemed to be an act of collusion or persons acting in concert.

e) Voting and disclosure of voting activity

As an institutional shareholder in an investee company it is not only our duty but also an important responsibility to vote on the shareholders' resolutions. A separate voting policy has been formulated and the same will be adhered to at the time of voting for the Investee companies.

We have policies and procedures designed to ensure that we collect and analyze all relevant information for each meeting, apply our proxy voting guidelines accurately, and execute the votes in a timely manner. Clients often give us discretion to vote proxies on securities held in their accounts. Our policies and procedures are contained in our Voting Policy.

We vote proxies in the best interests of our clients as shareholders and in a manner that maximizes the economic value of the holdings. Importantly, we neither automatically vote



proxies either with management nor have we appointed a third-party proxy provider, because we believe that we will be the best to vote on any resolution.

While our proxy voting guidelines set forth general guidelines, we evaluate each proposal on its merits

f) Periodic reporting on stewardship activities

In addition to the regular fulfilment of their stewardship activities, all the activities undertaken & responsibilities discharged with respect to implementation of stewardship Code shall be appropriately disclosed on the website as part of public disclosure and the same will be communicated to the unitholders on timely basis.

This Code shall be updated at regular intervals.

