

The Investment Trust of India Limited

(Erstwhile Fortune Financial Services (India) Limited)

Regd office: Naman Midtown, A Wing Unit No. 2103, 21st Floor

Senapati Bapat Marg, Elphinstone Road,, Mumbai - 400013



ITI LONG SHORT EQUITY FUND

STEWARDSHIP CODE

MAY 2021

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PART I: BACKGROUND

The Securities and Exchange Board of India (“SEBI”) *vide* circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019, has issued guidelines on Stewardship Code, applicable to institutional investors, i.e., all mutual funds, asset management companies, trustee companies, boards of trustees of mutual funds and all Alternative Investment Funds (“AIFs”) in relation to their investment in listed equities. The investment manager of ITI Long Short Equity Fund (the “AIF”) has adopted the following Stewardship Code in respect of the investment made by AIFs managed by the investment manager.

The Stewardship Code defines the stewardship responsibilities to be undertaken by investment manager of the AIFs and process that investment manager intends to follow in order to safeguard the interests of unit-holders of AIFs.

PART II: OBJECTIVE OF STEWARDSHIP CODE

The Stewardship code is formulated to broadly lay down the principles and guidelines to monitor and engage with the investee companies on various matters including performance, strategy, corporate governance, material environmental, social and governance (ESG) opportunities and risk, capital structure and exercising voting rights on shareholder resolutions of Investee companies.

PART III: FUND STRUCTURE

The Trust

ITI Long Short Equity fund is formed in India as a contributory trust set up by the Settler under the Indian Trust Act, 1882 and registered in India under the provision of the Registration Act, 1908. The Trust has been registered with SEBI as a Category III AIF as per the Regulations. The Trust will be required to comply with the Applicable Laws.

The Trustee

Vistra ITCL India Ltd a company incorporated under the Companies Act, 1956 having its registered office at IL&FS Financial Centre, Plot No. C - 22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051, India is appointed as a initial Trustee to the Trust and its Schemes.

The Trustee has been given all powers in respect of the Fund Assets including power to manage the Fund Assets under the Indenture. Powers in relation to management of Fund Assets and operation of the Fund would be delegated by the Trustee to the Investment Manager, subject to ratification by the Contributors, under the terms of the Investment Management Agreement.

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The Fund

ITI Long short Equity Fund is an open-ended scheme of the Trust. Subject to Applicable Laws, the Fund expects to invest as per the investment strategies and philosophy of the Fund as indicated in this Memorandum. The Fund will seek contribution from investors in the manner and on the terms laid down under the Contribution Agreements (as shall be entered with the Contributors).

Investment Manager

The Investment Trust of India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Naman Midtown, "A" Wing 21st Floor, Unit No. 2103, Senapati Bapat Marg, Elphinstone Road, Mumbai 400013 Maharashtra, India will act as the investment manager of the Fund Assets.

The Investment Manager will manage the investment activity of the Trust and the Fund in accordance with the powers delegated by the Trustee, subject to ratification by the Contributors and in accordance with the Applicable Laws.

Sponsor

The Investment Trust of India Limited, the named Investment Manager, will also act as the Sponsor to the Fund.

Targeted Investors

Units in the Fund are being placed with sophisticated and/or private investors including government institutions, corporate, public sector undertakings and private banks, insurance companies, global development, financial institutions and multilateral organizations, high net worth individuals, institutional investors, foreign investors and other permissible investors.

Key Investment Team

The Key Investment Team of the Investment Manager consist of (i) Rajesh Bhatia (ii) Rajesh Aynor and (iii) Siddhartha Bhotika

Compliance Officer: Mr. Haroon Mansuri

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PART IV: STEWARDSHIP CODE

Principle 1: Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

The primary stewardship responsibilities of the investment manager of the Fund shall be:

- a. To take into consideration, in the investment process, the Investee Companies policies and practices on various matters including performance, strategy, corporate governance (including board structure, remuneration etc.) material environmental, social and governance opportunities or risks, capital structure etc.;
- b. To seek productive engagement with the investee companies;
- c. To exercise voting rights in the investee companies in a manner consistent with the best interests of the respective Fund's unit-holder; and
- d. To maintain transparency in reporting its voting decisions and other forms of engagement with the investee companies.

The Investment Manager shall fulfill its stewardship responsibilities as investment manager of the Funds by way of below activities:

- i. The Investment Manager shall frame procedures on voting to deal with the exercise of the Fund's voting rights in investee companies
- ii. The Investment Manager shall appropriately engage and intervene on any issue which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value.
- iii. The Investment Manager shall endeavour to work collectively with other institutional investors and support collaborative engagements organised by representative bodies and others.
- iv. The Investment Manager shall disclose compliance to the Policy and the principles therein on its website as required under the Guidelines.
- v. Compliance under this Policy and its importance would be explained to the Investment Team on a regular basis by the Compliance Team.
- vi. In case any of the activities are outsourced, Investment Team shall ensure that stewardship responsibilities are exercised in line with the Policy.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

The Investment Manager has a framework for managing Conflict of Interest applicable to the Fund. In the case of the Fund, identification of conflicts of interests and process for its resolution is detailed in the Funds' private placement memorandum. In case any situation of conflict of interest is not covered under the private placement memorandum or otherwise cannot be resolved, the Investment Manager will refer to the framework for managing the Conflict of Interest. Relevant extracts of the framework for managing Conflict of Interest is attached as **Annexure A** for reference.

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Principle 3: Institutional Investors should monitor their investee companies.

- a. The Investment Team, shall identify the levels of monitoring for all the investee Companies, areas for monitoring, mechanism for monitoring etc. Further, considering the amount of investment or other factors, the Investment Team may decide not to be actively involved with any investee Company including in relation to an investee Company where the fair value of the investments by an AIF has been impaired by more than 50% of the original cost of investment.
- b. The Investment Team shall be responsible for the monitoring of the investee companies' strategy and performance, Industry-level monitoring and possible impact on the investee companies, the investee companies' leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.
- c. The Investment Team shall engage with investee companies as part of the research process that leads to an investment in an investee company, which might include meetings with management. Once an investment is made, the Investment Team shall continue to monitor each investee Company. As a part of this process, the Investment Team shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. They may also use publicly available information, sell-side research and industry information.
- d. The Investment Team shall periodically present to the investors the monitoring and engagement activities being carried out by the Investment Team.
- e. While dealing with the investee, the Investment Manager shall ensure compliance with the SEBI (Prohibition on Insider Trading} Regulations, 2015 and its Insider Trading Code.

Principle 4: 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.

The Investment Team, shall decide to intervene if, in its opinion, any act/omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation, or any other related matters. The Investment Team may also consider intervening, if, in its reasonable opinion, the issue involved may adversely impact the overall corporate governance or the Fund's investment.

The escalation matrix followed by the Fund for intervention is as follows:

- i. Communication: The Investment Team shall communicate to the investee company's management about any concerns of the Fund, including steps to be taken to mitigate such concerns. If the matter comes to voting, the Fund shall exercise its voting rights.
- ii. Engagement: In the event, the management of the investee company fails to undertake constructive steps to resolve the concerns within a reasonable timeframe, the Investment Team shall take all reasonable steps to engage with the management of the investee company to resolve the Fund's concerns.

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- iii. Collaboration: The Investment Team shall consider collaboration with other institutional investors, professional associations, institutional investor associations, regulators, and any other entities where it is in the interests of the Fund's unit-holders to do so and only when the situation warrants the same. Further, the act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert.
- iv. Escalation: In case there is no progress despite the earlier steps, the Investment Team shall escalate the matter to the board of the investee company (through a formal written communication) and elaborate on the concerns. The Investment Team may also consider discussing the issues at the general meeting of the investee company.

Principle 5: Institutional Investors should have a clear policy on voting and disclosure of voting activity.

An active and informed voting policy is an integral part of Investment Manager's investment philosophy. The Investment Manager shall keep in mind the interests of the Fund's unit-holders while exercising voting decisions.

The key areas that the Funds seek to vote on will be related to corporate governance and matters related to future prospects of the investee companies, including director appointments and compensation, corporate restructuring and related party transactions. The Investment Team may also consider additional factors, including recommendations made by any proxy advisory firms while voting.

The Investment Team may decide to obtain recommendations/ feedback opinion/ views from proxy firms or advisory firms on case to case basis. The analyses provided by such firms will be reviewed and studied before taking a final voting decision. The Investment Team may take into consideration all the facts relating to voting and may decide to approve casting of vote by the Fund in favor of / against the matter or to abstain from voting.

The Investment Manager on behalf of the Fund shall attend general meetings of the investee companies (annual as well as any extra ordinary general meetings) where appropriate, and to the extent possible, actively speak and respond to the matters being discussed at such meetings. The Funds will have an option to cast their votes in person, by electronic means or through an authorized representative.

The Compliance Team shall maintain a record of Funds' voting on investee company resolutions and rationale for the same.

Disclosure of voting

Details of actual voting for every proposed resolution i.e., for, against or abstain and rationale for voting in investee companies will be disclosed as required under the Stewardship Code. In case of any proposed resolution voting right is exercised through a proxy or services of other voting advisory are availed, the same shall also be disclosed.

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Further, in the case of usage of services of other voting advisory are availed, scope of such services; details of service providers; and the extent to which the Funds relied upon/use recommendations made by such services, shall also be disclosed.

Principle 6: Institutional Investors should report periodically on their stewardship activities

The Investment Manager shall disclose its voting and stewardship activities annually to the investors of the respective AIFs. The Fund wise report shall be placed on Investment Manager's website on implementation of the principles and disclosures as required under the Guidelines. The report on stewardship activity shall also be sent as a part of annual intimation to the unit holders of the respective Funds.

PART V: REVIEW OF POLICY

Amendments/Updates, Review and control

The Compliance Officer will review this Policy on an annual basis or earlier, if required, in light of change in regulatory compliance and business reasons.

ANNEXURE A

At the Fund-level

Some of the measures the Investment Manager will adopt to manage identified conflicts are set out below. The Investment Manager will take reasonable care that, in relation to each identified conflict, it acts independently to avoid material risk to the investor interests.

- a. In managing the aforesaid conflicts of interest, the Investment Manager will have regard to its obligations under the Fund Documents pertaining to the Fund and will act in the best interests of the Investors in the Fund.
- b. The Investment Manager shall act in a fiduciary capacity towards the investors and shall disclose to them, all conflicts of interests as and when they arise or seem likely to arise, as per the AIF Regulations.
- c. The Investment Manager will attempt to be transparent with respect to conflicts of interest that the Investment Manager determines may have arisen in any transaction (or prospective transaction) between the Investment Manager and the Fund.
- d. The Investment Manager will make efforts to see that any transactions involving a potential conflict of interest will be effected on terms that are not less favorable to the Investors in the Fund than if the potential conflict had not existed. The Investment Manager will place significant emphasis on its strong compliance culture, and the efficient operation of systems and controls, to manage issues such as conflicts of interest. The Investment Manager shall maintain and operate effective organizational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest.

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- e. The Investment Manager shall identify, monitor and appropriately mitigate conflicts of interest in accordance with the AIF Regulations.
- f. The Investment Manager will ensure that the interest of all the investors is paramount and all personal interests, relationships or arrangements, including those of its associated companies/entities do not work against the investors' interest.
- g. The Investment Manager will take commercially reasonable steps to protect the interest of all the Investors which is paramount and all personal interests, relationships or arrangements of the Investment Manager and those of Interested Parties do not work against the Investor's interest.
- h. The Investment Manager will take appropriate measures intended to assure that it will not unfairly profit from any transaction between its affiliates/group/companies/entities and the Fund and all such transactions shall strictly be done on an arm's length basis. The Investment Manager will use reasonable efforts to apportion or allocate business opportunities among persons or entities to or with which they have fiduciary duties and other relationships on a basis that is as fair and equitable as possible to each of such persons or entities, including the Fund.
- i. The Interested Parties and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.

By investing in the Fund, prospective Investors are deemed to have acknowledged the existence of the potential and/or actual conflicts of interest set forth above, and to have waived, to the greatest extent permissible under any Applicable Law, any claim concerning, or arising from, the existence of any such conflicts.

At the Investment Manager Level

Some of the measures adopted at the Investment Manager level to manage identified conflicts are set out below.

- a. In managing the aforesaid conflicts of interest situations, Investment Manager by placing significant emphasis on its strong compliance culture, will act in the best interests of its investors and have effective procedures in place to prevent, control and limit (to the extent possible) the exchange of information in the activities involving a risk of conflict of interest where the exchange of that information is likely to harm the interest of one or more investors.
- b. The Compliance team shall maintain and operate effective organizational and administrative arrangements with the view of taking all reasonable steps to identify, continuously monitor and manage conflicts of interest.
- c. Investment Manager has in place policies and procedures which outline strict standards on what gifts and business entertainment are acceptable, and cover both the provision and receipt of gifts and business entertainment.

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- d. Investment Manager_entities will ensure that the interest of all its investors is paramount and all personal interests, relationships or arrangements, including those of its associated companies/entities do not work against the investors' interest.
- e. Any situation or transaction involving an actual or potential conflict of interest should promptly be reported to the Compliance team and their determination will be obtained as to the existence of a conflict.
- f. The Compliance team has oversight on the business to ensure that internal controls are appropriate. Additionally, any other actual, perceived or potential conflict shall be addressed on case-by-case basis by the Compliance team.