

**Monarch Networth Capital Limited**

**A  
Fund Manager of**

**MONARCH AIF AND ALL ITS SCHEMES**

**STEWARDSHIP CODE**

*(Effective from September 16, 2024)*

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**Version History**

Version	Date of applicability	Description of Changes	Remarks
1	Date of launch of fund	First Draft	NA
2	September 16, 2024	Second Draft	Periodical review
3		Third Draft	

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## 1. APPLICABILITY

The policy is applicable to Monarch Network Capital Limited (hereinafter referred to as 'the Company' or 'MNCL') as an investment manager to Monarch AIF in relation to their investment in listed securities.

## 2. BACKGROUND AND SCOPE

Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/CFD/CMD1/168/2019 has published stewardship principles to be adopted and implemented by all categories of Alternative Investment Funds (AIF), in relation to their investment in listed equity.

This policy is applicable for Alternative Investment Fund (AIF) activities undertaken by the Company. The purpose of the stewardship code is to reflect the responsibility of institutional investors to engage constructively with invested companies with the aim of enhancing return for their clients and beneficiaries by improving and fostering the investee companies corporate value and sustainable growth through constructive engagement or purposeful dialogue based on in depth knowledge of the companies and their business environment. The Stewardship Code reflects ensuring high standards of corporate governance.

MNCL is the Investment Manager for Monarch AIF and Monarch AIF invests in listed equities in accordance with the investment objective of the respective scheme and SEBI (Alternate Investment Funds) Regulations 2012.

## 3. GUIDELINES AND PRINCIPLES

The Stewardship Code is formulated based on the stewardship principles laid down by the SEBI:

- **Principle 1** - Institutional Investors should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it, review and update it periodically.
- **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.
- **Principle 3** - Institutional Investors should monitor their investee companies.
- **Principle 4** - Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed.
- **Principle 5** - Institutional Investors should have a clear policy on voting and disclosure of voting activity.
- **Principle 6** - Institutional Investors should report periodically on their stewardship activities.

#### 4. KEY STEWARDSHIP RESPONSIBILITIES

**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 Company shall be:

- To take into consideration, in the investment process, the investee companies' policies and practices on corporate governance matters;
- To seek productive engagement with the investee companies and enhance investor/shareholder value;
- To exercise voting rights in the investee companies in a manner consistent with the best interests of its Investor, and;
- To maintain transparency in reporting its voting decisions and other forms of engagement with investee companies.

The Company shall fulfil its stewardship responsibilities in the following manner:

- The Company shall frame procedures on voting to deal with the exercise of the Company's voting rights in investee companies.
- The Company shall appropriately engage and intervene on any issue/matter which may, potentially, affect an investee company's ability to deliver long-term sustainable performance and value. The matter may include performance (operational, financial, etc.), 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.
- The Company shall endeavour to work collectively with other institutional investors and support collaborative engagements organized by representative bodies and others.
- The Policy will be reviewed and updated from time to time depending on the regulatory and business requirements. The updated Policy will be publicly disclosed on the Company's website.
- The Company may provide training at regular intervals to the employees involved in implementation of the principles laid in the Code. This may be done through external agency or internal team presentations.

**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 Company will ensure that the interest of the client/beneficiary is placed before the interest of the entity. The Company has detailed out below the process of identifying and managing conflict of interest.

*Identifying conflict of interest:*

While dealing with investee companies, the Company may be faced with various conflict of interest situations. Given below are a few instances where conflict of interest may arise:

- The investee company is an associate of the Company;
- The investee company is also an institutional client of the Company or group companies or affiliates;
- The Company is a lender to the investee company;
- The investee company is a partner or holds an interest, in the overall business or is a distributor for the Company;
- A nominee of the Company has been appointed as a director or a key managerial person of the investee company or cross-directorship; or
- The Company and the investee company are part of same group;
- A director or a key managerial person or employee of the Company has a personal interest in the investee company;
- The sponsor or directors or KMP or designated person (in terms of conflict of interest policy) has invested or holding the securities of investee company in its proprietary or professional capacity on behalf of its beneficiaries or clients;
- The Company (including its employee, trustee or partner) is likely to make a financial gain, or avoid a loss, at the expense of an investor or the investee company.

In order to manage/avoid the above conflicts of interest, the Company will undertake the following steps:

- The transaction is in compliance with the applicable regulations and is at arm's-length
- The conflict is disclosed to the management before entering into transaction
- A conflict of interest in relation to an investee company shall be highlighted to the management of the Company / respective Committees.
- Rationale behind all new investment decision shall be recorded.
- The Company shall have clear segregation of investment function and client relations/ sales functions.
- The Company may consider abstaining from voting when the Company and the investee Company are part of same group unless Company records rationale for voting on such resolutions.
- Blanket bans on investment in certain cases
- Any persons including employees having any actual/potential conflict of interest in any investee company shall duly disclose such conflict of interest and recuse from decision making with respect to investment decisions as well as with respect to implementation of stewardship code, including voting exercise
- The Company shall maintain records of decisions taken to address such conflicts

***Principle 3: Institutional investors should monitor their investee companies***

The Company while monitoring of the investee companies will consider the following:

- The Investment team of the company will monitor the investee companies. The investment team may consider the investee companies' leadership effectiveness, succession planning, corporate governance, reporting and other parameters considered as important while making investment decisions.
- Monitoring of Risks including Environmental, Social and Governance (ESG) risks
- Shareholder right and their grievances
- 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 fund manager/ analysts shall, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Manager/ analysts may also use publicly available information, sell side research and industry information.
- While dealing with the investee company, the Company shall ensure compliance with the SEBI (Prohibition on Insider Trading) Regulations, 2015.
- The Investment Committee shall review the monitoring and engagement activities being carried out by the Investment team on an annual basis.
- The Investment Committee shall set a threshold level primarily based on materiality of the issue and size of the exposure to the individual Investee Company for determining the meaning full investment, the threshold limit may be modified from time to time as it may deemed appropriate by the committee. The threshold limit is currently set at more than 3% of the share capital of Investee Company.
- The Company may nominate its representative on the Board of the Investee Company wherever it may deem necessary.

***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.***

Applicability:

- The Company shall intervene in the acts/omissions of an investee company in which the fund holds more than 3% of the share capital of the investee company or
- The Company shall 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 insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, governance issues, related party transactions, corporate plans/strategy, poor financial performance of the investee company, Environmental Social and Governance risk, litigation or any other related matters

The matrix that should be followed by the Company for intervention is as follows:

- **Communication:** The Investment team shall communicate to the investee company's management about any concerns including steps to be taken to mitigate such concerns.
- **Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by the Company within a reasonable timeframe, the Company shall take all reasonable steps to engage with the management of the investee company for constructive resolution of the Company's concerns.
- **Collaboration:** The Company shall also consider collaboration with other institutional investors, professional/industry associations, regulators, and any other entities where it deems necessary and in particular, when it believes a collective engagement will lead to a higher quality and/or a better response from the investee company. The Company may approach, or may be approached by, other institutional shareholders to provide a joint representation to the investee companies to address specific concerns. The act of collaboration with other institutional investors shall not be deemed to be an act of collusion or persons acting in concert. The Company shall determine individually its position on any issue requiring collaborative engagement
- **Escalation:** In case there is no progress despite the first three steps, the Company shall engage with the Board of Directors of the investee company (through a formal written communication) and elaborate on the concerns. The Company may also consider discussing the issues at the General Body meeting of the investee company. The Company may vote against decisions at appropriate forum.

A committee may be formed to consider which mechanism as per the matrix to be opted in specific cases, if required.

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

The Company shall consider voting on all shareholder resolutions of all investee companies if the investment in these exceeds 5% of its fund's corpus. In such cases, the Company shall make informed and independent voting decisions, applying due care, diligence, and judgment across their entire portfolio in the interests of its shareholders/investors.

- The Company will manage voting rights with the same level of care and skill as it manages the funds. In general, the Company does not have the intention to participate directly or indirectly in the management of the companies, but it will use its influence as the representative of the shareholders amongst others by exercising its voting rights in accordance with the best interests of its investor.



- The Company shall consider several factors, including recommendations made by proxy / voting advisory firms, while voting (if any). The Company shall vote against resolutions which are not in its investors'/shareholders'/clients' best interests.
- In connection herewith, the Company will exercise adequate safeguards to address any conflicts of interest with regard to any individual investments made by the schemes. This may imply that the Company may decide to refrain from exercising its voting rights if considered appropriate.
- The Company shall be required to record and disclose specific rationale supporting its voting decision (for, against or abstain) with respect to each vote proposal including how potential conflicts of interests are addressed in the exercise of voting rights.
- The Company shall disclose all voting activity on an annual basis to the investors. The Company shall also disclose the extent of its reliance, if any, on the voting recommendations provided by any proxy / voting advisory firm (specify) along with the scope of services and details of such service providers.

*Principle 6: Institutional investors should report periodically on their stewardship activities.*

The Company will report to their investors / beneficiaries periodically on how it has fulfilled its stewardship responsibilities in an easy-to-understand format on the website of the Company.

Disclosures on votes cast by the Company for all the resolutions put forth by the investee companies for shareholders' approval will be published or sent to investors on annual basis and implementation of the stewardship principles may be disclosed on annual basis on the website of the Company.

The compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision of the Company to sell a holding when it is in the best interest of the investors/beneficiaries.

The code as amended from time to time will be updated on the website.