

## STEWARDSHIP POLICY

### MONTGOMERY CAPITAL FUND 1

#### CATEGORY III AIF

Version	Owner of this Manual	Approved by	Approval date
1.0	Investment Manager	Designated Partner	



**MONTGOMERY  
CAPITAL**  
ADVISORS LLP

**A. Background**

Montgomery Capital Fund 1, represented by its Investment Manager, Montgomery Capital Advisors LLP (“Manager”), is registered as a Category III Alternative Investment Fund under the SEBI (Alternative Investment Funds) Regulations, 2012.

The Manager acts in a fiduciary capacity towards the investors of the Fund and is responsible for ensuring that investments are managed in a manner consistent with long-term value creation, sound governance, and regulatory compliance.

**B. Objective**

Securities and Exchange Board of India (SEBI) vide its circular CIR/CFD/CMD1/168/2019 dated December 24, 2019, (“Circular”) had issued Guidelines on Stewardship Code for all Mutual Funds and all categories of Alternative Investment Fund (“AIFs”), in relation to their investment in listed equities. This Circular is now supplemented by Master Circular SEBI/HO/AFD/PoD1/P/CIR/2023/130 dated July 31, 2023.

As per the aforesaid SEBI Circular, institutional investor like mutual fund, AIFs, etc. should have a comprehensive policy on the discharge of their stewardship responsibilities. This Policy documents the guiding principles to be adopted and followed by the equity investment team (“Investment Team”) of the Manager. This Stewardship Policy (“Policy”) is prepared on the basis of principles enumerated in the said SEBI Circular. This Policy shall act as guidance to the investment team for discharging the stewardship responsibility, however, this Policy is not intended to curtail / restrict the fund management activities of the Manager. The Investment Team shall always be at liberty to decide their dealing strategies, keeping in mind the investment objectives of the scheme, though the same may conflict with the principles specified in the Policy.

**C. Responsibility**

The roles and responsibilities are defined as below:

Investment Team

The respective Investment Team shall be responsible for ongoing monitoring of the investee companies of the Fund where the Fund has invested (“Investee Company(ies)”), for engaging with the management of the Investee Companies and for identifying situations which require intervention in



# MONTGOMERY CAPITAL

ADVISORS LLP

the Investee Companies and manner of this intervention. The Investment Team shall also be responsible for identifying situations which may give rise to a conflict of interest. The Investment Team of AIF The Investment Team may escalate matters relating to intervention in investee companies or conflict of interest to the Investment Committee ("IC") or the Designated Partner, as applicable, for guidance and approval.

The Investment Team shall ensure that all material monitoring, engagement, and intervention activities are appropriately documented and, where required, escalated to the Investment Committee.

## Compliance Team

The Compliance Team shall be responsible for:

- ensuring adherence to this Policy and applicable regulatory requirements;
- reviewing conflict of interest situations and ensuring appropriate mitigation measures are implemented;
- maintaining records of stewardship activities, including voting decisions, engagement, and intervention actions;
- ensuring timely and accurate disclosures relating to stewardship activities in accordance with SEBI regulations; and
- facilitating periodic review of this Policy and its implementation. The roles and responsibilities outlined above shall operate within an appropriate governance framework, ensuring segregation of duties, oversight, and accountability.

## **D. Implementation / Process as laid down in the Circular**

The term 'Investee Companies' used in this Policy herein shall mean Investee Companies in which equity investments are above the threshold limit prescribed by Investment Team. (E.g. 5% or more of its outstanding equity shares)

**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 Manager shall be:

3

+91 22 4664 4111  
communication@mgcap.in  
www.mgcap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



## MONTGOMERY CAPITAL

ADVISORS LLP

- i. To take into consideration, in the investment process, the Investee Companies' policies and practices on corporate governance matters;
- ii. To seek productive engagement with the Investee Companies;
- iii. To exercise voting rights in the Investee Companies in a manner consistent with the best interests of its Investor; and
- iv. To maintain transparency in reporting its voting decisions and other forms of engagement with Investee Companies.
- v. The above responsibilities shall be implemented through a structured framework comprising:
- vi. periodic monitoring of investee companies;
- vii. documented engagement with management and stakeholders;
- viii. defined voting procedures and rationale documentation;
- ix. escalation and intervention mechanisms for material concerns; and
- x. appropriate oversight by the Investment Committee and Compliance function.

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

The Manager shall frame procedures on voting to deal with the exercise of the Manager's voting rights in Investee Companies.

The Manager shall appropriately engage and intervene on any issue/matter which may affect an Investee Company's ability to deliver long-term sustainable performance and value.

Such engagement shall be:

- i. based on materiality and impact assessment;
  - ii. documented, including nature of concern, interaction with management, and outcome; and
  - iii. escalated to the Investment Committee in case of material governance or performance concerns.
- The Manager may, where considered appropriate, collaborate with other institutional investors for



# MONTGOMERY CAPITAL

ADVISORS LLP

engagement with Investee Companies, provided such collaboration is undertaken in compliance with applicable regulations and does not result in acting in concert or breach of insider trading regulations. This Policy shall be reviewed at least annually, or as may be required based on regulatory or business developments. Any material changes shall be approved by the Designated Partner / Investment Committee and disclosed on the Manager's website. The Investment Team shall be periodically sensitized to their stewardship responsibilities under this Policy. The Compliance Officer shall oversee such awareness initiatives and ensure that relevant personnel are adequately trained on regulatory expectations and internal processes.

**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 Manager should handle the matters carefully when the interests of clients or beneficiaries diverge from each other. The Manager will ensure that the interest of the client/beneficiary is placed before the interest of the entity.

The Manager has detailed out below the process of identifying and managing conflict of interest.

Avoiding conflict of interest

The Manager shall undertake reasonable steps to identify and avoid actual or potential conflict of interest situations.

In case of any uncertainty as to whether a transaction or situation may give rise to a conflict of interest, the matter shall be escalated to the Compliance Officer and, where material, to the Investment Committee / Designated Partner for review and appropriate guidance.

Identifying conflict of interest

While dealing with Investee Companies, the Manager may be faced with various conflict of interest situations. Given below are a few instances where conflict of interest may arise:

- i. The Investee Company is an associate of the Manager;
- ii. The Investee Company is also an institutional client of the Manager;
- iii. The Manager is a lender to the Investee Company;



# MONTGOMERY CAPITAL

ADVISORS LLP

- iv. The Investee Company is a partner or holds an interest, in the overall business or is a distributor for the Manager;
- v. A nominee of the Manager has been appointed as a director or a key managerial person of the Investee Company; or
- vi. The Manager and the Investee Company are part of same group;
- vii. A director or a key managerial person of the Manager has a personal interest in the Investee Company.
- viii. Conflicts of interest shall be assessed based on their materiality and potential impact on investors. Material conflicts, including those involving group entities, related parties, or key decision-makers, shall require review and approval by the Investment Committee / Designated Partner.

In order to manage and mitigate conflicts of interest, the Manager shall:

- i. Ensure that all identified conflicts are promptly disclosed to the Compliance Officer and, where material, escalated to the Investment Committee / Designated Partner;
- ii. Maintain documented rationale for investment, engagement, or voting decisions in situations involving potential conflict of interest;
- iii. Ensure segregation between investment decision-making and client relations / sales functions;
- iv. Require any employee or decision-maker having an actual or potential conflict of interest to recuse themselves from the relevant decision-making process;
- v. In cases involving voting on conflicted matters (including group entities or related parties), ensure that such decisions are independently reviewed and appropriately documented; and
- vi. Maintain a conflict of interest register capturing details of identified conflicts, actions taken, and approvals obtained.

### **Principle 3: Institutional investors should monitor their Investee Companies**

The Manager while monitoring of the Investee Companies will consider the following:

The monitoring of Investee Companies shall be carried out in a structured and periodic manner, with the depth and frequency of monitoring determined based on the materiality of the investment and the level of influence of the Fund.

6

+91 22 4664 4111  
communication@mgcap.in  
www.mgcap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



# MONTGOMERY CAPITAL

ADVISORS LLP

The Investment Team shall identify “material investee companies” based on factors such as:

- size of investment,
- concentration in portfolio,
- ability to influence governance or outcomes, and
- risk profile of the investment.

Such companies shall be subject to enhanced monitoring.

The Investment Team will monitor following areas which shall, *inter-alia*, include:

- a. Manager’s strategy and performance - operational, financial, etc.
- b. Industry-level monitoring and possible impact on the Investee Companies.
- c. Quality of company management, board, leadership etc.
- d. Corporate governance including remuneration, structure of the board (including board diversity, independent directors etc.) related party transactions, etc.
- e. Risks, including ESG risks.
- f. Shareholder rights, their grievances etc.
- g. Succession planning.

The Investment Team shall maintain periodic monitoring records for material investee companies, capturing:

- key financial and operational developments;
- governance observations;
- risks identified (including ESG risks);
- engagement undertaken, if any.

These records shall form part of the audit trail and be available for internal review.

The Investment Team shall engage with Investee Companies both:

- i. as part of the pre-investment due diligence process; and

7

+91 22 4664 4111  
communication@mncap.in  
www.mncap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



# MONTGOMERY CAPITAL

ADVISORS LLP

- ii. on an ongoing basis during the holding period.

Such engagement shall, where material, be documented and linked to monitoring observations.

As part of this process, the Investment Team may attend meetings or conference calls conducted by the management of the Investee Company and may also rely on publicly available information, sell-side research, and industry inputs. Once an investment is made, the Investment Team shall continue to monitor each Investee Company. As a part of this process, the fund manager/ members of investment team/ analysts shall, where feasible, attend meetings/conference calls conducted by the management of the Investee Company. Fund manager/ members of Investment Team/ analysts may also use publicly available information, sell side research and industry information.

All interactions with Investee Companies shall be conducted in compliance with the Fund's Prevention of Insider Trading Policy. The Investment Team shall ensure that:

- i. no Unpublished Price Sensitive Information (UPSI) is solicited or used in violation of applicable regulations; and
- ii. appropriate information barriers and internal controls are followed in case of receipt of UPSI. The Manager may nominate its representative on the Board of an Investee Company where it is considered necessary for governance oversight or value creation.

Such nomination shall be:

- i. subject to approval by the Investment Committee / Designated Partner;
  - ii. assessed for potential conflicts of interest and insider trading implications; and
  - iii. accompanied by appropriate safeguards in line with applicable regulations and internal policies.
- The monitoring and engagement activities undertaken by the Investment Team shall be periodically reviewed by the Investment Committee, with material observations and actions documented. Any material concerns identified through monitoring shall trigger evaluation for engagement or intervention in accordance with the Manager's intervention framework.

**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 Manager shall consider intervention where, based on documented assessment, any act or

8

+91 22 4664 4111  
communication@mgcap.in  
www.mgcap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



# MONTGOMERY CAPITAL

ADVISORS LLP

omission of the Investee Company is considered material and may impact long-term value or investor interests, including but not limited to poor financial performance of the company, corporate governance related practices, remuneration, strategy, ESG risks, leadership issues, litigation, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, related party transactions, etc.

The decision to intervene shall not be based solely on the size of shareholding but on the materiality of the issue, potential impact on the investment, and the Manager's ability to influence outcomes. Where an investment is earmarked for divestment, the Manager may decide not to actively intervene, unless the issue is considered material from a governance, regulatory, or reputational standpoint or may adversely impact investor interests. All intervention decisions shall be documented, including:

- nature of concern;
- assessment of materiality;
- actions taken; and
- outcomes of engagement.

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

**Communication:** The Investment Team shall formally communicate concerns to the management of the Investee Company, including expected corrective actions. Such communication shall be appropriately documented.

**Engagement:** In the event the management of the Investee Company fails to undertake constructive steps to resolve the concerns raised by the Manager within a reasonable and documented timeframe, the Manager shall take all reasonable steps to engage with the management of the Investee Company for constructive resolution of the Manager's concerns. The engagement process and outcomes shall be recorded.

**Collaboration:** The Manager may, where considered appropriate, collaborate with other institutional investors, industry bodies, or relevant stakeholders to address specific concerns, provided such collaboration is undertaken in compliance with applicable laws and regulations, including requirements relating to acting in concert and insider trading.

The Manager shall independently determine its position on all matters requiring collaborative

9

+91 22 4664 4111  
communication@mgcap.in  
www.mgcap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



# MONTGOMERY CAPITAL

ADVISORS LLP  
engagement.

Escalation: In case there is no satisfactory progress despite the initial stages of communication and engagement, the matter shall be escalated to the Investment Committee / Designated Partner.

The Investment Committee may determine appropriate escalation actions, including:

- formal engagement with the Board of Directors of the Investee Company;
- raising concerns at shareholder meetings;
- voting against management proposals; or
- any other action considered appropriate in the interest of investors.

All escalation decisions and actions shall be appropriately documented.

The intervention framework shall operate in conjunction with the monitoring and voting framework of the Manager to ensure a consistent and effective stewardship approach.

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

To protect and enhance wealth of the clients/ beneficiaries and to improve governance of the Investee Companies, it is critical that the institutional investors take their own voting decisions in the Investee Company after in-depth analysis rather than blindly supporting the management decisions. As an investment manager, it has a fiduciary responsibility of the Manager to act in the best interest of the investor of the Fund. This responsibility also includes exercising voting rights towards the securities of Investee Company, either at the general meetings of the Investee Company(ies) or through postal ballots, in the best interest of the investor.

The Manager will manage voting rights with the same level of care and skill as it manages the funds. In general, the Manager 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.

Voting decisions shall be undertaken by the Investment Team, with appropriate oversight and review by the Investment Committee / Designated Partner in case of material matters. The Compliance Officer

10

+91 22 4664 4111  
communication@mncap.in  
www.mncap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



## MONTGOMERY CAPITAL

ADVISORS LLP

shall review voting decisions involving potential conflicts of interest.

Voting matters may be classified as routine or material based on their potential impact on governance, shareholder rights, or value of the investment. Material matters shall be subject to enhanced scrutiny and internal review.

### **Matters generally coming up for voting:**

Following are some of the general matters that come up for voting either at the general meetings of the Investee Company(ies) or through postal ballots:

Corporate governance matters, including changes in the state of incorporation, merger and other corporate restructuring, and anti-takeover provisions;

- i. Changes to capital structure, including increases and decreases of capital and preferred stock issuances;
- ii. Appointment, remuneration, retirement and removal of Directors;
- iii. Stock option plans and other management compensation issues;
- iv. Changes to the Memorandum and Article of Association;
- v. Social and corporate responsibility issues;
- vi. Appointment and remuneration of Statutory Auditors;
- vii. Transactions with Related Party(ies);
- viii. Other Corporate governance matters; and
- ix. Other issues affecting the interest of the shareholders and investor of fund in particular.

### **Philosophy of Voting Policy:**

*Voting Right* means, the right of a shareholder to vote on matters of corporate policy and other resolutions. The exercise of voting rights will require regular monitoring of financial performance, corporate governance matters, industry performance and subsequent consideration of the potential impact of a vote on the value of the securities of the issuer held by the schemes of AIF. In order to



## MONTGOMERY CAPITAL

ADVISORS LLP

discharge its obligations under this policy, the Manager will access and utilize research on management performance and corporate governance issues of the Investee Companies, drawn either from its in-house fund management team or from an independent consultants/firms amongst others.

The Schemes are entitled to exercise the voting rights attached to the shares of the Investee Companies. The shareholders do not necessarily need to be physically present at the site of the Investee Company's annual general meeting / extra-ordinary general meeting in order to exercise their right to vote. It is common for shareholders to voice their vote through an E-Voting system provided by entities such as NSDL, CSDL, etc. or by appointing a Proxy.

In connection herewith, the Manager 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 Manager may decide to refrain from exercising its voting rights if considered appropriate.

The Manager is an affiliate of a large, diverse financial services organization with many associate companies, which may lead to situation creating conflicts of interest. Conflicts of interest may arise in certain situations, where:

- i. The Investee Company is a client of its affiliates;
- ii. In certain cases, wherein any affiliates of the Manager are lender to the Investee Company;
- iii. The Investee Company is a seller whose products or services are important to the business of the Manager and/or its affiliates;
- iv. The Investee Company is an entity participating in the distribution of investment products advised or administered by the Manager and/or any of its affiliates.

However, the Manager will make its best efforts to avoid such conflicts and ensure that any conflicts of interest are resolved in the best interests of unit holders of the schemes.

In cases where investments are in group companies of the Manager or where the Investee Companies have substantial investments in the Schemes of AIF, the Manager shall specifically review all voting proposals, routine as well as non-routine and take decisions with respect to voting on such proposals in the best interest of the unit holders. The Manager may also decide to abstain from such voting, if it deems fit to do so in the best interest of the unit holders or if there is a conflict of interest.

**All voting decisions shall be based on independent analysis and aligned with the best interests of the investors of the Fund. Such decisions shall be supported by documented rationale. Manner of**

12

+91 22 4664 4111  
communication@mncap.in  
www.mncap.in

**Registered Office :** 607, Sunshine Building No. T-39, C.H.S. Ltd. Shastri Nagar, Andheri (W), Mumbai - 400053  
**Corporate Office:** Parinee I, 2412, 24th Floor, Shah Industrial Estate, Andheri (W), Mumbai - 400053



# MONTGOMERY CAPITAL

ADVISORS LLP

## disclosure:

- i. Disclosed in the Annual Report of the Schemes
- ii. Quarterly disclosure on the Manager's website

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

The Manager shall report to its investors/beneficiaries on a periodic basis regarding the discharge of its stewardship responsibilities in a clear and concise manner.

Such reporting shall be coordinated by the Compliance Team, based on inputs from the Investment Team.

The reporting shall, inter-alia, include:

- summary of monitoring and engagement activities with Investee Companies;
- details of material interventions undertaken, if any;
- voting decisions and rationale, where applicable; and
- instances of conflict of interest identified and the manner of resolution.

Compliance with the aforesaid principles shall not be construed as an intention to participate in the day-to-day management of Investee Companies and shall not preclude the Manager from taking investment decisions, including divestment, in the best interests of investors/beneficiaries.

The Manager shall make periodic disclosures of its stewardship activities:

- to investors, as part of regular investor communications; and
- on its website, at such frequency as may be prescribed under applicable SEBI regulations and circulars.

\*\*\*\*\*