

# **Monarch Networth Asset Management Private Limited (“MNAMPL”)**

**(CIN: U66301MH2025PTC455601)**

## **Outsourcing Policy**

**Version 1.0**

**(Effective from 3<sup>rd</sup> August, 2026)**

**Document control:**

| <b>Version No.:</b> | <b>Author</b>   | <b>Reviewer</b> | <b>Approved by</b>                  | <b>Effective date</b>        |
|---------------------|-----------------|-----------------|-------------------------------------|------------------------------|
| 1.0                 | Compliance Team | -               | Board of directors of AMC & Trustee | 3 <sup>rd</sup> August, 2026 |

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## **OUTSOURCING POLICY**

### **1. Purpose**

Outsourcing means an arrangement whereby the organization engages a third party either within or outside the organization to perform the activities associated with services that can be provided by the organization itself. Outsourcing is resorted to with a view to manage costs, risks, efficiency and at times, for strategic reasons.

As administrators and managers of mutual fund schemes of Monarch Mutual Fund (“Mutual Fund”), the Monarch Network Asset Management Company Private Limited (“**Monarch AMC**”) will engage third parties (hereinafter referred to as “service provider” or “third party”) in order to effectively execute its mandate as investment manager. This Outsourcing Policy (“Policy”) sets out the principles to be considered when certain activities associated with services which the Company offers are outsourced.

The purpose of this Policy is to ensure that:

- ✓ Minimum standard on Vendor Governance of Service Provider & Outsourcing Management is established for products/services required;
- ✓ A consistent process for this is applied;
- ✓ Business requirements are clear and have been considered in an appropriate way;
- ✓ Vendors’ relationships are established on a transparent, sound and rational basis;
- ✓ Roles and responsibilities are clearly documented, understood and agreed prior to signing of final contracts;
- ✓ Alignment with Cost Management & Procurement and – if any - Outsourcing Control functions are assured;
- ✓ Oversight of strategic Vendors exercising delegated asset management functions is compliant with all regulatory and legal requirements in all jurisdictions.

### **2. Principles of outsourcing**

In view of various risks associated with outsourcing of activities, SEBI vide its circular no. CIR/MIRSD/24/2011 dated December 15, 2011 mandated intermediaries seeking to outsource activities to have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. This outsourcing policy is to be read in conjunction with the SEBI circular ref CIR/MIRSD/24/2011 dated December 15, 2011 and all subsequent guidelines/circulars issued by SEBI from time to time.

The guidelines prescribe as under:

- ✓ An intermediary seeking to outsource activities shall have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced.
- ✓ The Board / partners (as the case may be) {hereinafter referred to as the “the Board”} of the intermediary shall have the responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.
- ✓ The intermediary shall establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.
- ✓ While there shall not be any prohibition on a group entity / associate of the intermediary to act as the third party, systems shall be put in place to have an arm’s length distance between the intermediary and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. It shall be kept in mind that the risk management practices expected to be adopted by an intermediary while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.
- ✓ The intermediary should ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.
- ✓ The intermediary shall conduct appropriate due diligence in selecting the third party and in monitoring its performance.
- ✓ Outsourcing relationships shall be governed by written contracts / agreements/ Service level Agreement/terms and conditions (as deemed appropriate) {hereinafter referred to as “contract”} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.
- ✓ The intermediary and its third parties shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
- ✓ The intermediary shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorized people.

### **3. Activities covered under outsourcing**

As mandated by the SEBI, core business activities shall not be outsourced. Accordingly, following activities cannot be outsourced:

- Investment / Fund Management
- Dealing / Trading
- Research
- Compliance
- Risk management

An activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise the business of the Mutual Fund and AMC.

The Policy shall cover the outsourced activities which are required to be performed as support functions to carry out the core business activities i.e. investments and related activities. It applies to all users of information assets of Monarch AMC including employees, contractors, consultants, third-party personnel, vendors and any temporary employees.

It is applicable to all such service providers and who handle, store or transmit Monarch AMC's information and information systems / information assets/ network connections operated or managed by third parties, through which Monarch AMC's information are transmitted, stored or processed.

It shall apply to all departments / users utilizing the services of a third party for business operations.

Some typical examples of outsourced activities for Monarch Mutual Fund are:

- ✓ Registrar and Transfer Agency Services
- ✓ Fund Accounting of Mutual Fund Schemes
- ✓ Any other activity which an Asset Management Company can do inhouse in the ordinary course of its business towards management of assets and distribution of schemes.

Some typical examples of outsourced activities for the AMC are as follows:

- ✓ Front office system for Mutual Fund transactions
- ✓ Payroll processing
- ✓ Maintenance and processing of books of accounts of the Company i.e. Finance
- ✓ AMC Office Administration

**The following activities are not in scope as these are principal to principal relationships as well as not considered as core activities of the company as per the SEBI circular:**

- ✓ Banking services including Payment Aggregators
- ✓ Activities of brokers
- ✓ Activities of distributors
- ✓ Provisions of services/activities within the same legal entity
- ✓ Internal Audit
- ✓ Couriers, Printers, Marketing Agencies, KYC Registration Agency's (KRA), e-KYC/e-Sign services, etc.

Appointment of brokers and distributors will be governed by the broker and distributor empanelment norms.

Internal Audit of Mutual Fund Schemes, AMC and Trust will be performed by an independent auditor appointed by the respective Boards.

\*Custody activity for the schemes of Monarch Mutual Fund is not typically an outsourcing of activity, since the custodian activity cannot be performed in-house by the AMC under the present regulations. However, since this activity is a critical activity for Monarch Mutual Fund, this outsourcing policy shall be followed to the extent possible for the appointment of a custodian for the schemes of Monarch Mutual Fund.

#### **Proportionality and materiality**

This Policy should be applied in proportion to the nature, scale and complexity of the outsourced activities. Exceptions, if any, need to be reported to the approving authority for the outsourced activity as defined in this Policy.

It is the responsibility of the line management to evaluate the nature, scale and complexity of an outsourcing agreement and decide whether the activities outsourced are deemed to be material or not.

#### **4. Policy**

## **4.1 Selection of vendor**

### **4.1.1 Due Diligence**

It is important that the Company exercises due care, skill, and diligence in the selection of third-party service providers to ensure that the third party has appropriate resources, infrastructure and adequate capital to satisfy its contractual and regulatory obligations. During selection, the Company's due diligence process shall include the assessment of the following:

- The third party's resources and capabilities, including financial soundness;
- Compatibility of the practices and systems of the service provider;
- Market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- Existence of competitive pricing;
- Level of concentration of the outsourced arrangements with a single third party, if any;
- If the service provider is based overseas, the environment of the foreign country where the third party is located;
- While outsourcing multiple activities to the same third-party service provider, the Company shall exercise more caution and evaluate the additional risks involved;
- Quality of the service /product on offer and quality of after sales service and approach to Service Management;
- Timeliness – availability when required;
- References from existing customers;
- Experience and reputation - period in the market, track record;
- Vendors Controls - control environment within which the Vendor operates, internal control system and oversight controls;
- Reputational Risk;
- Technical Fit - maturity of the model used;
- Future Proofing - commitment and investment in development in the product;
- Tools – details on technology, equipment or tools to be utilised as part of the process;
- Data integrity and data security;
- Disaster recovery and business continuity;
- Unique capability – do they offer anything over and above the competition;
- Employee turnover and retention for employee categories involved in service provision, coupled with knowledge transfer methodology;
- Insurance Coverage for services offered;
- Any requirements by the Vendor to sub-contract part of the service

### **4.1.2 Regulatory due diligence**

In addition to the usual legal due diligence, the impact of various regulations must be taken into consideration, including:

1. Securities and Exchange Board of India (Mutual Funds), Regulations 2026, circulars, guidelines, and notifications issued from time to time and must include following:
  - ✓ third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
  - ✓ compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;
  - ✓ market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
  - ✓ level of concentration of the outsourced arrangements with a single third party; and
  - ✓ the environment of the foreign country where the third party is located.
2. Guidelines, Circular and notification issued by Reserve Bank of India
3. Guideline/best practices issued by Association of Mutual Funds of India

The checklist as per **Annexure I** should be used for the due diligence process.

Project management risks will be controlled throughout the project by monitoring financial and other aspects as an integral part of project management.

#### **4.1.3 Risk Management Process**

The Company's Risk Management process at the first level control will include an analysis of the scope and materiality of the outsourced activity and shall address the following:

- ✓ Assessment of the regulatory status of the third party including a fitness and probity status;
- ✓ Assessment of the third party's financial and operational capabilities to carry-out the outsourced activity;
- ✓ Assessment of impact of non-performance by the third party;
- ✓ Assessment of the third party's ability to cope up with the work, in the event of non-performance or failure by the third party and having suitable back-up arrangements;
- ✓ Assessment of the third party's IT and disaster recovery capabilities, including reviews of IT security procedures and systems as well as its ability to safeguard customer data;
- ✓ Assessment of third-party systems and processes to ensure that strong safeguards and Chinese walls are in place to prevent co-mingling of assets, customer data and documentation;
- ✓ Assessment of conflicts of interests between the Company and the third party and how they are managed;
- ✓ Where the third party is a group or associate company, appropriate measures exist to ensure arm's length dealings on matters relating to infrastructure, manpower, decision-making and record keeping in order to prevent conflicts of interest.

**Annexure II** consists of Assessment Questionnaire of The Risk Control Framework Related to Outsourcing that needs to be completed for all outsourcing projects.

#### **4.2 Contract Execution**

Outsourcing relationships shall be clearly defined and finalized in the form of contract with the selected vendor and shall include the use of appropriate contractual language to address identified risk areas. Before being signed by authorized signatories, the agreement should be vetted with Legal Department. The following clauses should be considered while inclusion in the agreement:

- i. Details of services / activities to be performed including appropriate service and performance levels and processes to be followed.
- ii. Rights, responsibilities and obligations of the parties to the contract including indemnity by the parties.
- iii. Liability of the third party to Monarch AMC for unsatisfactory performance / other breach of the contract.
- iv. Termination conditions, exit strategies including Data transfer / backup in case of disengagement with service provider;
- v. Subcontracting clause, force majeure.
- vi. Confidentiality clauses and data privacy clause to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract.
- vii. Service Level Agreements and related penalty clauses, if any, performance monitoring processes and reports to be provided, escalation procedures.
- viii. Responsibility of the third party with respect to security, service continuity.
- ix. Right to access and audit.
- x. Mechanisms to resolve disputes arising from implementation of the outsourcing contract.
- xi. Preservation of the documents and data by third party’;
- xii. Intellectual property and / or ownership of work, source code; ownership of data;
- xiii. Purging of data;
- xiv. Adherence to Information security and Cyber security policies and procedures of Monarch AMC, information security requirements to be adhered while performing service;
- xv. Non-poaching provisions;
- xvi. Indemnity by the parties;
- xvii. Safeguards for preventing co-mingling of information / documents;
- xviii. Any other clause as considered necessary based on regulatory guidelines.

**Service Level Agreements (“SLA”) should define all the elements of the operating procedure in a descriptive manner:**

1. Turnaround time of various services;
2. Allocation of resources;
3. Definition and operational requirements;
4. Quantitative and Qualitative performance indicators and reporting;
5. Detailed business contingency plan and disaster recovery mechanism;
6. Periodical escalation matrix for highlighting deficiencies;
7. Contact details of counter parts

### **4.3 Vendor Onboarding**

Vendor onboarding is the process of collecting information and documents that are required to onboard a third party as a vendor/supplier for Monarch AMC. The onboarding process also includes providing awareness from the vendor regarding relevant information and cyber security policies & procedures of Monarch AMC.

#### **A. Approval from Finance**

Any outsourcing activity leads to an on-going financial commitment for the organisation. Therefore, the outsourcing proposal must be presented to the Finance Function for sign-off. The authority to approve the same would be in line with the authority matrix.

#### **B. Record maintenance**

Records relating to all outsourced activities shall be maintained centrally so that they are readily accessible to the Board of the AMC and the senior management for review, as and when required. The diligence records of the Agent shall be regularly updated.

Records relating to all outsourcing arrangements shall be owned and maintained by the functional owner of the arrangement. The functional owner of the particular activity shall track the requirement of the agreement.

Legal documentation shall be in the custody of the Head of Compliance & Legal and the copy of the same will be available with the function concerned.

The authority for execution of legal contracts and agreements with the outsourcing partners will be as per the delegated authority matrix.

### **4.4 Data sharing and Access**

Access to Monarch AMC's Information security assets by third parties shall require valid business purpose necessary approvals before such access is granted. Data / information generated by third party during the course of its activities / services performed for Monarch AMC shall be property of Monarch AMC and shall belong to Monarch AMC unless otherwise agreed. Data of Monarch AMC shall not be shared by the third-party with any external entity without approval from Monarch AMC and without an explicit contract to the effect.

#### **4.5 Monitoring the activities**

Head of department who has outsourced the activity shall evaluate and monitor the Activities and performance of vendors. The service level agreement should be considered. Periodic monitoring reports should be obtained, meetings should be conducted for review of SLA.

- **Contract management:**

Each respective function shall be responsible for reviewing the Agreement on an ongoing-basis. In case of any modification / alteration required to the Agreement, the same should be done after due assessment and with reference of the same to the Legal Department.

- **Contract renewal:**

In cases where Agreements are due to expire, the respective function should ensure to renew/ terminate the Agreement well within the time specified in the Agreement. A decision should be taken to renew the agreement with the same vendor or engage another vendor.

- **Vendor classification:**

All third-party service providers shall be classified based on some of the following parameters:

- (i) Nature of the activity performed by the third-party.
- (ii) Criticality of information assets / activities handled by the third-party.
- (iii) Providing services having a regulatory significance
- (iv) Availability of multiple service providers in that line of service / location.

#### **4.6 Annual review process:**

Based on vendor classification, as part of annual review process, Agreement and SLA shall be reviewed, and appropriate amendments shall be made as per business requirement. The main objective is to review the financial and operational capabilities along with the experience and expertise of the third party in order to assess the third party's ability to continue to meet the outsourced obligations. This shall be put up to the Board for review annually.

The review of the outsourcing activity should include coverage of:

- ✓ Service levels – Independent verification of service level, face to face meetings, qualitative reporting, KPIs as defined in the contract/SLA
- ✓ Vendor's internal controls – overview of internal control systems, oversight controls, insurance coverage
- ✓ Financial terms – Financial review, cost analysis
- ✓ Financial soundness – review of financial stability, financial reputation, creditworthiness issues etc.
- ✓ Vendor reputation – Corporate governance structure, reputation of company principals, market position, market share, relationship with other entities if any, in the group
- ✓ Operational losses – frequency and quantum
- ✓ Data integrity and security – data protection, escalation mechanism in the event of security incidents
- ✓ Business Continuity Planning and Disaster Recovery

The report of the above review shall be submitted to the Board of the AMC/Trustee.

**5. Termination**

Upon termination or expiry of the contract, third-party service provider shall return any data / assets that belong to Monarch AMC which are in the possession of the service provider. Access (logical / physical) provided to the third-party service shall be revoked immediately. Further, the third party shall ensure that all AMC and its proprietary and customer-related data are expunged from the third party's systems on an immediate basis after termination is invoked, until and unless any retainment of such data is specified explicitly to be maintained under applicable law.

**6. Outsourcing within a Group/Associates**

In case the activity is outsourced within a group or associate company then an arm's length relationship has to be demonstrated. The commercials have to be assessed and appropriately accounted within the company based on fair valuation.

Necessary disclosures in this regard have to be made as a part of contractual arrangement. Same parameters for evaluation should be adhered to.

The due diligence and risk assessment practices expected to be adopted by AMC while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

The definition of Group / Associates entities as defined in SEBI (Mutual Funds) Regulations, 2026 would be applicable to related parties.

**7. Policy Review and compliance:**

The policy shall be reviewed annually, and the findings shall be presented to the Board of Directors. The Risk Management department shall maintain this policy and disseminate as and when required. Compliance with the policy will be audited periodically as a part of the internal audit plan. If the provisions of this policy are contradictory to the regulatory provisions, the latter shall prevail. Further any amendment in the regulation shall be implemented immediately in line with the regulatory requirement.

**8. Regulatory Reference**

- Para 2.6.2.1 and Para 2.9.3.1 of Annexure 4 of SEBI Master Circular for Mutual Funds dated March 20, 2026
- SEBI Circular CIR/MIRSD/24/2011 dated December 15, 2011

## Annexure II: Assessment Questionnaire of the Risk Control Framework Related to Outsourcing

### 1. Risk Analysis: Has a risk analysis been driven on the outsourced activity?

Context: Most financial and banking regulations of the countries where AMC operates require that a risk control framework is implemented for essential or significant outsourced activities. Such framework must be equivalent to the one that would be in place if such activity was dealt with internally, in order to be able to continue to control the risks of to that activity (regulations judge that outsourcing does not mean risk transfer and that the responsibility of the service quality in front of the customer is still within the liable company).

Objective: Each outsourcing changes the risk profile of the entity. It is thus necessary to check that a risk analysis has systematically been carried out by the entity in order to take into account these changes. The risk analysis must cover both: risks related to that activity (independently from the fact that it is outsourced) and risks specifically linked to the fact that the activity is being outsourced (analysis of the new operational model: country, provider, contract, telecom, local turnover, inflation, salaries, business continuity, etc.)

|   |                       |                                                                                                                  |
|---|-----------------------|------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | No risk analysis has been carried out on the outsourced activity.                                                |
| 3 | Marginally structured | A risk analysis has been carried out, but exhaustiveness cannot be guaranteed, or it is more than 24 months old. |
| 2 | Globally structured   | A risk analysis has been carried out and is less than 24 months old.                                             |
| 1 | Highly structured     | The exhaustiveness of the analysis is guaranteed, and it is recent (less than 24 months old).                    |

### 2. Contract and Service level agreement (SLA): How is the relationship with the outsourced activity service provider documented?

Objective: Assess the level of contractualisation of the provided service.

|   |                       |                                                                                                                            |
|---|-----------------------|----------------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | No formal service contract or Service Level Agreement <sup>1</sup> has been signed.                                        |
| 3 | Marginally structured | A formal service contract <u>or</u> an SLA has been signed.                                                                |
| 2 | Globally structured   | A formal service contract <u>and</u> an SLA have been signed (or the contract includes a SLA).                             |
| 1 | Highly structured     | A formal service contract and SLA have been signed and their contents have been reviewed / validated by the entity lawyer. |

**3. Procedures:** Which operational documentation is available concerning the outsourced activity and the supplier monitoring?

Objective: Outsourcing leads to a change in processes, given that some tasks are performed by a third party, instead of being performed by the entity itself. In addition, the supplier monitoring must be formalized. Procedures must be accordingly updated.

|   |                       |                                                                                                                        |
|---|-----------------------|------------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | No documentation exists.                                                                                               |
| 3 | Marginally structured | There is a procedure or operational instructions describing the outsourced activity.                                   |
| 2 | Globally structured   | There is a procedure describing the outsourced activity and all procedures related to that activity have been updated. |
| 1 | Highly structured     | All procedures impacted by the outsourcing are updated on a regular basis.                                             |

**4. Controls:** Which controls do you perform on outsourced activity?

Objective: just like for procedures, assess set-up rate and quality of controls implemented for controlling risks.

|   |                       |                                                                                                                                                                                                                                                 |
|---|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | There are no controls on outsourced activity.                                                                                                                                                                                                   |
| 3 | Marginally structured | There are some controls but they are not performed on a regular basis.                                                                                                                                                                          |
| 2 | Globally structured   | There are some controls, performed on a regular basis, on the form (contract clauses) <u>or</u> on the substance (reality of the observed risks compared to expectations).                                                                      |
| 1 | Highly structured     | There are some controls, performed on a regular basis, on the form <u>and</u> on the substance (the objective being to check that the service delivery is compliant with clauses/commitments stipulated in the SLA and in the service contract. |

- 5. Business Continuity (BCP):** Has the business continuity plan been updated in order to take into consideration risks driven by outsourcing?

Objective: check that business continuity is taken into account in the target framework for risk management and control

|   |                       |                                                                                                 |
|---|-----------------------|-------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | The outsourced activity is not covered by a BCP.                                                |
| 3 | Marginally structured | The outsourced activity is covered by a BCP documented but not operational.                     |
| 2 | Globally structured   | The outsourced activity is covered by an operational BCP (not tested since more than one year). |
| 1 | Highly structured     | The outsourced activity is covered by an operational BCP (tested since less than one year).     |

- 6. Reporting:** Is there some reporting on your relationship with the service provider.

Objective: assess the quality of the reports sent by the service provider to the entity.

|   |                       |                                                                                                                                                                                             |
|---|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | There is no reporting.                                                                                                                                                                      |
| 3 | Marginally structured | The service provider supplies a report on its service performance (performance described in the Service Level Agreement, if any).                                                           |
| 2 | Globally structured   | The service provider supplies a report on its service performance and a report on the quality of its internal control (risks/incidents, procedures, controls, results, action plans, etc.). |
| 1 | Highly structured     | The service provider report on internal control quality is certified by a third party (statutory auditor, certification agency such as Veritas).                                            |

- 7. Monitoring:** Are review meetings held with the service provider?

Objective: Assess the service provider relationship monitoring by the management.

|   |                       |                                                                                                                                         |
|---|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Poorly structured     | No review meeting has been held.                                                                                                        |
| 3 | Marginally structured | A review meeting, made of the two parties, is held at least once a year.                                                                |
| 2 | Globally structured   | A review meeting, made of the two parties, is held on a regular basis and meeting minutes are prepared and distributed.                 |
| 1 | Highly structured     | Action plans are decided during the review meeting, they are reported in the meeting minutes and they are monitored on a regular basis. |