
STEWARDSHIP POLICY

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I. Scope and Application

The Securities and Exchange Board of India (“SEBI”) has, in exercise of its powers conferred under Section 11 of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 36 of the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), *vide* circular CIR/CFD/CMD/168/2019 dated December 24, 2019 (“Circular”), mandated all alternative investment funds to frame a stewardship policy in relation to their investments in listed securities to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This stewardship policy (“Policy”) has been framed by Aionios Alpha Investment Management LLP (“Investment Manager”), the Investment Manager of Aionios Alpha Fund I (“Fund”), a scheme of Aionios Alpha Fund which is registered with SEBI as a Category III Alternative Investment Fund under the AIF Regulations bearing registration number IN/AIF3/22-23/1205 in order to ensure adherence to the Circular.

This Policy shall be effective from April 1, 2023.

II. Stewardship Principles

In order to safeguard the interests of the investors and to enhance monitoring and engagement with the Fund’s portfolio entities, the Investment Manager shall work towards fulfilling the objectives of the following principles:

1. Formulation, disclosure, review and updation of the stewardship policy

The Investment Manager has formulated this Policy to discharge its stewardship responsibilities in accordance with the Circular. The crux of this Policy banks on the view of the Investment Manager that the assessment of a portfolio entity’s ability to create, sustain and protect value is an integral part of the investment of the Fund. This assessment is undertaken by way of monitoring and engaging with the portfolio entities.

a. Engagement and Monitoring

The Investment Manager aims to enhance the returns for the investors by improving and fostering the corporate value and sustainable growth of the portfolio entities through constructive engagement based on an in-depth knowledge of the portfolio entities and their business environment.

It is the Investment Manager’s belief that by actively engaging with the portfolio entities, the Investment Manager may further enhance its understanding of the issues faced by portfolio entities and the approaches utilised by the portfolio entities towards managing such issues. Engagement of this nature shall help the Investment Manager in protecting and enhancing the value of the Fund’s investments in the portfolio entities.

The Investment Manager believes that it is in the interest of the Fund to question and challenge portfolio entities about the issues that may affect such portfolio entity’s value and operations. The Investment Manager will engage with portfolio entities on the following issues which may include, but are not limited to, the following:

- (i) financing and capital allocation/capital structure;
- (ii) management and operations;
- (iii) acquisitions and disposals;
- (iv) internal controls;
- (v) business strategy;
- (vi) performance;

- (vii) the membership and composition of governing bodies/boards and committees;
- (viii) risk management;
- (ix) industry level issues;
- (x) related party transactions;
- (xi) shareholder rights/grievances;
- (xii) sustainability;
- (xiii) corporate governance;
- (xiv) remuneration;
- (xv) environmental and social responsibility etc.

While the Investment Manager may employ a myriad of approaches towards engaging with the portfolio entities, the Investment Manager shall typically engage in one of the following ways:

- (i) One-to-one meetings with the management/representatives of the portfolio entities;
- (ii) Written correspondence;
- (iii) Phone calls;
- (iv) Discussions with appointed consultants and stakeholders of the portfolio entities;
- (v) Collective engagement with other investors of the portfolio entities.

b. Disclosure, Review and Updation of the Policy

This Policy shall be reviewed and updated periodically, at such intervals as may be deemed fit by the Investment Manager, to ensure that it is updated with best practices and is accurate in describing the Investment Manager's activities with regards to the portfolio entities. The Policy shall be disclosed to all current and prospective investors of the Fund and shall be disclosed on the Investment Manager's website.

The personnel involved with implementation of this Policy shall be adequately trained and instructed with regards to the implementation of this Policy. Such training and instruction could either be delivered by way of a 'training policy' created by the Investment Manager or in any other manner as may be determined by the Investment Manager. In the event any of the activities under this Policy are outsourced by the Investment Manager, this Policy shall be updated to provide for a mechanism to ensure that in cases of such outsourcing, the stewardship responsibilities are exercised properly and diligently.

2. Formulation of policy related to management of conflicts of interest and disclosure of the policy

The Investment Manager gives the highest priority to safeguarding and protecting the investors' interests. However, as conflicts of interest are an inherent risk, the Investment Manager has laid down procedures and policies to mitigate and manage such conflicts and protect the interests of the investors in the Fund against any adverse consequences arising from such potential conflicts of interest.

a. Possible scenarios for potential conflicts of interest

(i) At the level of employees of the management entity

The employees of the Investment Manager will only devote so much of their time to the Fund's operations as is, in their judgment, reasonably required. The employees that provide services to the Fund may have, in addition to their responsibilities for the Fund, responsibilities for other companies, projects and clients. Accordingly, they may have conflicts of interest in allocating management time and other resources amongst the Fund and such other companies, projects and clients. The employees may provide services to other entities/clients in financial services space and will not work exclusively for the Fund. The employees shall resolve any such conflict by allocating time (reasonably required in

their best judgement) towards their obligations in respect of the Fund and their other responsibilities towards other companies, projects and clients.

(ii) At the level of service providers of the Fund

The attorneys, accountants, professionals and other service providers, who perform services for the Fund may, and in some cases do, also perform services for the interested parties (i.e. Investment Manager/sponsor, its affiliate/group entities and its partners, employees and officers).

(iii) At the level of the Investment Manager

- Proprietary Trades: The Investment Manager is currently carrying out and may continue to carry out proprietary trading activities with the strategy which may be similar or at times different from that of the Fund. There might be a possibility that contra trades (opposite trades) are entered into at the same time by the Investment Manager on behalf of the Fund *vis-a-vis* its own proprietary money or its associates.
- Allocation of Investments: The Investment Manager and other interested parties may be subject to conflicts of interest in allocating investment opportunities among the Fund, other funds managed by the Investment Manager, other clients advised by them and/or towards the proprietary trading done by the Investment Manager. Investment opportunities identified by the Investment Manager may be suitable for the Fund, one or more clients advised or managed by the interested parties or for direct investment by themselves. The Investment Manager will endeavour to resolve any such conflicts in a reasonable manner taking into account, amongst other things, the investment objectives and policies of each fund/client, the remaining un-invested capital of each fund/scheme/client and the level of diversification of each fund/client. However, there can be no assurance that the Fund will be allocated to any particular investment opportunities that are identified by the Investment Manager. Furthermore, the Investment Manager shall have the right, in its discretion, to allocate any investment opportunities to the other funds/clients.
- Potential investment rejected for investments by the Fund: The interested parties may make investments in portfolio entities in other funds or proprietary trades that have been rejected by the Investment Manager after evaluation for investment by the Fund in accordance with its investment objective and strategy. Further, the interested parties may provide investment opportunities that have been rejected by Investment Manager after evaluation for investment by the Fund, to any third party for a fee/commission. Thus, once investment opportunities are rejected by the Fund, such investment opportunities may not be available to the Fund if pursued by the interested parties.
- Transactions with associate and group companies of the Investment Manager: The Investment Manager may avail services of its sponsor, holding company/ associates/group companies including but not limited to support for distribution, back-office support, sales support, transaction execution, risk, compliance and other support etc.

(iv) At the level of the investors

The Investment Manager (without any act, consent or approval of or notice to any investor) may enter into, deliver or perform written agreements or instruments to or with one or more contributors of the Fund which have the effect of establishing different rights under, or altering or supplementing the terms of an investment in the Fund, including, without limitation, modifications of exit rights, fee arrangements and access to Fund information. Any rights established, or any terms of an investment in the Fund altered or supplemented in the contribution agreement, side letter (if any) entered into

with an investor will govern such investor's investment in the Fund notwithstanding any other provision of the trust documents to the contrary.

(v) At the level of members of various governance bodies

The members of the governance body of the Investment Manager, in addition to their responsibilities for the Fund, will have responsibilities for other funds, projects and clients. Accordingly, allocating management time and other resources among the Fund and such other funds, projects and clients can be a challenge.

(vi) At the level of the sponsor /Investment Manager group entity, in relation to various schemes managed by the sponsor /Investment Manager

- Inter-se different activities: The interested parties may be involved in variety of advisory, management and investment-related activities including management of other funds and/or pools of capital for other clients. The Fund shall not have any rights in or to any cash receipts or profits of the interested parties. The interested parties may, from time to time, act as investment managers or advisers to other entities, companies or funds other than the Fund. It is therefore possible that the interested parties may in the course of their business have potential conflicts of interest inter-se different activities.
- Transactions with interested parties: An interested party may receive certain fees for services performed for or on behalf of the Fund or any other entity or any other person in which the Fund or any other entity holds portfolio investments, including, without limitation, fees relating to booking activity and other products and services provided, directly or indirectly, to the Fund or any other entity or any other person in which the Fund or any other entity holds portfolio investments.
- Market transactions involving interested parties: The proprietary activities/trading or portfolio strategies of the interested parties, or the activities or strategies used for accounts managed by the interested parties or other customer accounts, could conflict with the transactions and strategies employed in managing the Fund and affect the prices and availability of the securities and instruments in which the Fund will invest. Such transactions, particularly in respect of proprietary accounts/trades or customer accounts, will be executed independently of the Fund's transactions, and thus at prices or rates that may be more or less favourable. Issuers in whose assets or instruments the Fund has an interest may have publicly or privately traded instruments in which an interested party is a shareholder. An interested party's trading activities will be carried out generally without reference to positions held by the Fund and may have an effect on the value of the positions so held, or may result in the interested party having an interest in the issuer adverse to that of the Fund. The results of the Fund's investment activities may differ significantly from the results achieved by an interested party for its proprietary accounts or accounts managed by them.
- Investments in portfolio entities in which interested parties have interests: The Fund may participate in portfolio entities in which interested parties have an existing investment or other interests, which may be on the same terms as the Fund's investment or on different terms. In such cases, there could be a potential conflict between the interests of the Fund and those of the interested parties. Any of the interested parties may deal in the securities/products (including handling assignment for portfolio entities or advising-managing any portfolio/fund consisting of such securities/products etc.) which are/may in future be a part of the Fund investment. The timing/pricing/buy-sell decision under the dealing by such interested parties can be different from that of the Fund.

The Investment Manager may identify additional conflicts of interest situations from time to time, which will be managed/mitigated with the help of the principles identified herein and by also taking into account further processes which the Investment Manager may develop over a period of time (and upon taking such actions, the Investment Manager will be relieved of any liability, for such conflict and the management thereof to the fullest extent permitted by law and will be deemed to have satisfied its fiduciary and other related duties to the fullest extent permitted by law).

Some of the mitigating factors of the conflicts of interest:

- (i) In managing the aforesaid conflicts of interest, the Investment Manager will have regard to its obligations under the trust documents pertaining to the Fund and will act in the best interests of the investors in the Fund.
- (ii) The Investment Manager will 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.
- (iii) The Investment Manager will make efforts to see that any transaction involving a potential conflict of interest will be effected on terms that are not less favourable 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.
- (iv) The Investment Manager will ensure that the interest of all the investors is paramount and all personal interests, relationships or arrangements of the Investment Manager and those of interested parties do not work against the investors' interest.
- (v) 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 amongst 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.
- (vi) The Interested Persons and their management personnel will devote so much of their time to the Fund as is, in their judgment, reasonably required.

The Policy (including this conflict of interest policy), as stated in Paragraph 2 above, shall be disclosed to all current and prospective investors of the Fund and shall be disclosed on the Investment Manager's website.

3. Monitoring Portfolio Entities

The monitoring of portfolio entities by the Investment Manager shall include analysing the operation and financial performance, strategy and business outlook, management and corporate governance, investor grievances, capital structure, key risk areas (including environmental, social and governance risks) of the portfolio entities and such other areas as provided under Paragraph 1 herein above. The Investment Manager shall also undertake an industry level monitoring with regards to the portfolio entities.

The level of scrutiny and monitoring will partly depend on the quantum of the Fund's investment. Portfolio entities in which the Fund has made a substantial investment, as may be determined by the Investment Manager, shall be subjected to more detailed and frequent monitoring. The level of engagement shall be substantially higher in scenarios where the Fund has specific long-term concerns

about a portfolio entity's performance. Monitoring activities for portfolio entities where the Fund has made considerably smaller investments, will be more limited in nature.

While dealing with portfolio entities, the Investment Manager shall ensure that it shall not inadvertently receive any unpublished price sensitive information. All employees/consultants/agents of the Investment Manager involved in engagement activities with portfolio entities shall be appropriately instructed about the laws pertaining to insider trading.

4. Intervention in Portfolio Entities and collaboration with other investors

a. Intervention Policy

The Investment Manager will engage with a portfolio entity on any issue affecting the long-term sustainable value of such portfolio entity. The issues which the Investment Manager deems pertinent for engagement with a portfolio entity may include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management, industry level issues, related party transactions, shareholder rights/grievances, the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, climate change, leadership issues, litigations, environmental and social responsibility, etc.

In the likelihood that a portfolio entity does not respond affirmatively to the Investment Manager's request for engagement, or the Investment Manager's concerns have not been sufficiently addressed, the Investment Manager may decide to extend its engagement activity and/or escalate specific areas of concern in order to effect the change that is being sought.

The Investment Manager shall regularly assess the outcomes of such intervention in the activities of the portfolio entities in order to gauge the effectiveness of the intervention policy.

b. Mechanism of Intervention

The Investment Manager can employ any of the following methods of intervention:

- (i) ***Engagement***: The Investment Manager shall strive to initiate communication with the portfolio entities, organise meetings with the senior management of the portfolio entity, engage with identified teams of the portfolio entity etc. to put forth, mitigate any concerns pertaining to the portfolio entity.
- (ii) ***Collaboration***: The Investment Manager shall work collectively with other institutional investors and support collaborative engagements by professional associations, regulators, and other entities it deems necessary for a collective engagement with the portfolio entity.
- (iii) ***Voting***: In certain situations where the management of the portfolio entity is inaccessible or cases where the Investment Manager believes that there is no substantive information being provided by the portfolio entity, monitoring can be undertaken through other sources including submitting resolutions and participating in general meetings, withholding support/voting against the management, requisitioning extraordinary general meetings etc.
- (iv) The Investment Manager may also constitute a committee to consider the most effective mechanism of intervention in certain cases.

5. Voting Policy

a. Voting Decisions

Voting decisions may include “abstaining from voting” or to “vote for” or “against” or divide votes between “for” and “against”, or not vote at all. The rationale for decision taken on “voting for/voting against/abstaining from voting” shall be recorded by the Investment Manager.

b. Guidelines on Voting

- (i) All voting decisions shall reflect that they are in the best interests of the investors.
- (ii) The Investment Manager shall abstain from voting on the following matters:
 - On routine matters which do not have a material impact on the interest of the unitholders.
- (iii) Proxy voting may be exercised on the following matters:
 - Corporate governance matters, including changes in the state of incorporation, merger and acquisition and other corporate restructuring, and anti-takeover provisions.
 - Changes to capital structure, including increase and decrease of capital and preferred stock issuances.
 - Changes to governance policies of the portfolio entity.
 - Stock option plans and other management compensation issues.
 - Social and corporate responsibility issues.
 - Appointment and removal of directors.
 - Any other issue that may affect the interest of the shareholders in general and interest of the unitholders in particular.
- (iv) The Investment Manager will prefer to vote either for or against any proposal and abstain only in cases where there are specific mitigating circumstances.

c. Mechanism

The Investment Manager may exercise voting responsibilities for the portfolio entities through e-voting, proxy voting or by physically attending the meetings or such other means, as applicable. The Investment Manager shall exercise its votes in the best of interest of the Fund and its investors.

The Committee may comprise of Investment Manager and members of the key Investment team. The Committee will provide recommendations on the exercise of votes to the Investment Manager. The Committee will meet at periodic intervals as and when required.

The Investment Manager may also obtain recommendations/feedback/opinion/views from fund managers, research analysts or such other persons as may be felt necessary. The Investment Manager may use services of proxy advisor(s) to support its proxy voting decisions. Scope of such service provider shall be limited to only assisting the Investment Manager with research and non-binding recommendation pertaining to the proposed resolutions of the portfolio entities. The Investment Manager shall have the final authority to decide the manner of exercise of votes.

d. Conflicts of Interest

In instances where there might exist a conflict of interest, the Investment Manager shall exercise voting responsibilities with due care and shall ensure that voting decisions are taken independently and in the best interest of investors. The Investment Manager may also use its discretion to decide to exercise a voting right or abstain from it if it deems fit to do so in the interest of the investors.

e. Disclosure of Voting

(i) The Investment Manager will make the following disclosures to the investors on a quarterly basis or at such intervals as may be prescribed by SEBI:

- _____ Details of the manner in which voting was carried out: i.e. 'For', 'Against' or 'Abstain'.
- _____ The rationale supporting the aforesaid voting decisions.

(ii) The disclosures will be made on the website of the Investment Manager on a quarterly basis or at such intervals as may be specified by SEBI. Further, the Investment Manager shall also make disclosures pertaining to voting in its annual report to the investors.

f. Periodical reporting of stewardship activities

The Investment Manager shall periodically report to its investors the manner in which the Fund has fulfilled its stewardship responsibilities in accordance with the Circular. The report shall be placed on the Investment Manager's website and any updation to this Policy will be disclosed on the website.

A report shall be provided annually to the investors by the Investment Manager related to the implementation of each stewardship principle except for voting which will continue to be reported separately on a quarterly basis. The report may also be sent as a part of annual intimation to the investors.

It is hereby noted by the Investment Manager that compliance with the Circular and the resultant Policy does not constitute an invitation to manage the affairs of an entity or preclude a decision to sell a holding when it is in the best interest of the investors.

III. Clarifications

In case any further information/clarification is required in this regard, the following personnel may be contacted:

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