

POLICY ON NOMINATION OF UNITHOLDER NOMINEE DIRECTORS

Approving Authority	Board of Directors (“ Board ”) of GR Highways Investment Manager Private Limited (“ Investment Manager ”) in its capacity as the Investment Manager of Bharat Highways InvIT (the “ InvIT ”)
Approval Date	5 th December 2023
Effective Date	This policy on nomination of unitholder nominee directors (“ Policy ”) shall come into effect from the date it was adopted by the Board at their meeting held on 5 th December 2023.

1. APPLICABILITY:

This Policy is applicable to the InvIT and shall be implemented through the Investment Manager.

2. OBJECTIVE AND PURPOSE:

This Policy lays down a framework and provides guidance in relation to the qualifications and criteria for appointment, removal and evaluation of individuals nominated as the unitholder nominee directors on the Board of the Investment Manager (“**Unitholder Nominee Director**”) in accordance with the provisions of the Securities and Exchange Board of India (“**SEBI**”) circular on ‘Board nomination rights to unitholders of Infrastructure Investment Trusts’ dated September 11, 2023, read with the SEBI (Infrastructure Investment Trust) Regulations, 2014, as amended.

This Policy aims at setting out the qualifications and criteria for appointment and evaluation parameters of individuals nominated for appointment as Unitholder Nominee Director, remuneration/ sitting fees, process of removal or resignation of the Unitholder Nominee Director(s) and the role of the nomination and remuneration committee and/or the Board in such matters and also to ensure that the interests of InvIT and its stakeholders are promoted, protected and aligned. This Policy shall be read along with the articles of association of the Investment Manager, the trust deed dated June 16, 2022 and the amended and restated trust deed dated October 31, 2023 and the investment management agreement dated July 21, 2022 as amended pursuant to the amendment agreement dated 5th December 2023 each as amended from time to time, with respect to the nomination of Unitholder Nominee Directors.

3. DEFINITIONS:

“**Applicable Law**” means any statute, law, regulation, ordinance, rule, judgement, order, decree, bye-law, approval of any governmental agency, directive, guideline, policy, requirement or other government restriction or any similar form of decision of or determination by, or any interpretation having the force of law of any of the foregoing governmental agency having jurisdiction, applicable to any party, in force from time to time, including but not limited to the SEBI InvIT Regulations;

“**Board**” shall mean the board of directors of the Investment Manager of the InvIT;

“**Companies Act, 2013**” shall mean the Companies Act, 2013, read with the rules, regulations, clarifications and modifications thereunder;

“**Eligible Unitholder(s)**” shall mean unitholder(s) holding 10% or more of the total outstanding Units of the InvIT, either individually or collectively. The Eligible Unitholders will be determined based on the unitholding pattern of the InvIT as on March 31st of the financial year;

“**Investment Manager**” shall mean the investment manager of the InvIT, namely, GR Highways Investment Manager Private Limited

“**NRC**” shall mean the Nomination and Remuneration Committee of the Board;

“**Policy**” shall mean this policy on nomination of unitholder nominee directors on the Board, as amended from time to time;

“**SPVs**” shall mean collectively, GR Akkalkot Solapur Highway Private Limited, GR Dwarka Devariya Highway Private Limited, GR Gundugolanu Devarapalli Highway Private Limited, GR Phagwara Expressway Limited, GR Sangli Solapur Highway Private Limited, Porbandar Dwarka Expressway Private Limited and Varanasi Sangam Expressway Private Limited and any other entity incorporated or acquired by the InvIT in the future which qualifies as a special purpose vehicle under the SEBI InvIT Regulations;

“**SEBI**” shall mean Securities and Exchange Board of India;

“**SEBI InvIT Regulations**” shall mean SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time and the circulars, master circular, notifications and guidelines issued by the SEBI time to time;

“**Trustee**” shall mean the trustee of the InvIT, namely, IDBI Trusteeship Services Limited;

“**Unit**” shall mean an undivided beneficial interest in the InvIT, and such Units together represent the entire beneficial interest in the InvIT;

“**Unitholders**” shall mean any person who holds any Unit of the InvIT; and

“**Unitholder Nominee Director**” shall mean a non-independent director nominated by Eligible Unitholder(s) on the Board of the Investment Manager.

4. CONDITIONS FOR NOMINATION OF A UNITHOLDER NOMINEE DIRECTOR.

- 4.1 Eligible Unitholders have the right, but not an obligation, to nominate only one Unitholder Nominee Director, subject to the Unitholding of such Eligible Unitholder, (either individually or collectively), exceeding 10% of the total outstanding Units.
- 4.2 If the right to nominate one or more directors on the Board is available to any entity (or to an associate of such entity) in the capacity of a shareholder of the Investment Manager or lender to the Investment Manager or the InvIT (or SPVs), then such entity in its capacity as Unitholder, is not entitled to nominate or participate in the nomination of a Unitholder Nominee Director.
- 4.3 If the Unitholding of more than one Unitholder is aggregated for the purpose of qualifying as an Eligible Unitholder to exercise the right to nominate a Unitholder Nominee Director, then such Unitholder is not eligible to participate in any other group of Eligible Unitholder(s).
- 4.4 Unitholder Nominee Directors shall recuse themselves from voting on any transaction where either such director, such director’s associates or the Eligible Unitholder(s) who nominated him / her or associate of such Eligible Unitholder(s) is a party.

5. PROCESS OF NOMINATION OF THE UNITHOLDER NOMINEE DIRECTOR

- 5.1 The Investment Manager is required to send a written intimation to all the Unitholders on their e-mail addresses registered either with the Investment Manager or with the depository, within 10 days from the end of each financial year requesting them to inform the Investment Manager if any Eligible Unitholder(s) wish to exercise the right to nominate a Unitholder Nominee Director.
- 5.2 Eligible Unitholders are required to express their intention to exercise the right to nominate a Unitholder Nominee Director within 10 days from the receipt of such intimation from the Investment Manager, failing which such Unitholder(s) will be able to exercise their right to nominate Unitholder Nominee Director(s) at the end of the following financial year subject to them meeting the requisite threshold.
- 5.3 The Eligible Unitholders are required to provide the details in relation to their proposed candidate for the Unitholder Nominee Director as provided in **Annexure A**.
- 5.4 If any Unitholder acquires 10% unitholding or more of the InvIT during a particular financial year, then such unitholder(s) is eligible to exercise the nomination right only in the following financial year (subject to such Unitholder(s) holding 10% or more of the total outstanding Units of the InvIT on March 31st of that particular financial year).
- 5.5 If multiple Unitholders are aggregating their Unitholding for the purpose of exercising the nomination right, such notice is also required to identify up to two Unitholders as authorized representative of the group of Eligible Unitholder(s). Any communication by such authorized representatives to the Investment Manager for the purpose of such nomination shall be deemed to be on behalf of, and representative of the interests of, the entire group of Eligible Unitholder(s)
- 5.6 The notice is also required to set out the names, demat account details and Unitholding of the Eligible Unitholder(s) as well as contain a specific acknowledgement from the Eligible Unitholder(s) that their Unitholding shall be maintained at least 10% of the total outstanding Units, failing which they shall lose the right to have their Unitholder Nominee Director on the Board.
- 5.7 Based on the evaluation done by the NRC and/or the Board, in line with this Policy, the Investment Manager is required to confirm the eligibility of the Unitholder Nominee Director, within 10 days of receipt of notice from the Eligible Unitholders.
- 5.8 Upon confirmation of the eligibility of the Unitholder Nominee Director, the appointment of the Unitholder Nominee Director is required to be completed within 30 days from the date of such confirmation.
- 5.9 The Investment Manager shall ensure that the appointment of the Unitholder Nominee Director is in compliance with the requirements with respect to the composition of the Board under the SEBI InvIT Regulations and other Applicable Laws.
- 5.10 However, if the candidate proposed is not eligible or not found suitable based on the evaluation done by the NRC and/or the Board in line with this Policy, the reasons are required to be recorded and communicated by the Investment Manager to the Eligible Unitholder(s) within 10 days of receipt of notice from Eligible Unitholder(s). In such case, the Eligible Unitholder(s) may submit another candidate within a period of 10 days from the receipt of such communication from the Investment Manager.

6. PRINCIPLES FOR EVALUATION OF CANDIDATES FOR APPOINTMENT AS

UNITHOLDER NOMINEE DIRECTOR(S)

- 6.1 The responsibility for evaluation of candidates for appointment as Unitholder Nominee Director(s) is entrusted to the NRC on behalf of the Board.
- 6.2 The Unitholder Nominee Directors are required to have adequate expertise, know-how and personal attributes and are also required to understand the operations and requirements of the InvIT's business and the environment, including the regulatory framework, in which it operates.
- 6.3 The Unitholder Nominee Directors are required to discharge their duties and responsibilities in accordance with the prescribed legal framework and in compliance with Applicable Law.
- 6.4 The NRC is required to consider the following in its process of evaluation of a Unitholder Nominee Director:
- Proficiency of the person to identify gaps that could be bridged to build and strengthen the Board and the management of the InvIT;
 - Identify the areas in which there may be a lack of skills, in order to increase effectiveness;
 - Need of the current and future business plans of the InvIT;
 - Extent of contribution mandatory to the InvIT, to improve the overall performance of the InvIT;
 - Extent of contribution to overall effectiveness of the Board;
 - Expertise that the candidate shall bring to the role that will contribute to the InvIT's goals;
 - The contribution to the InvIT so as to enhance and maximise the Unitholders' value.
- 6.5 Accordingly, in evaluating a proposed Unitholder Nominee Director candidate, the NRC is required to identify the competencies required to enable the Board to fulfil their respective responsibilities within the framework of the overall objectives and goals of the InvIT.
- 6.6 The performance of each Unitholder Nominee Director shall be reviewed on an annual basis as per Clause 6.4, by the NRC along with the head of human resources or any other invitee as may be deemed necessary. The NRC may use such external support as may be required to undertake such reviews efficiently.
- 6.7 The NRC shall discuss the findings of the evaluation and give its recommendation to the Board in this regard. However, the actual evaluation shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board.

7. REVIEW OF UNITHOLDING OF ELIGIBLE UNITHOLDER(S) BY THE INVESTMENT MANAGER

- 7.1 The Investment Manager is required to within 10 days from the end of each calendar month review the unitholding of the Eligible Unitholders who have exercised the board nomination right and make a report of the same. If it is found that Eligible Unitholder(s) do not have/hold the required number of Units, then such Unitholder(s) shall require the relevant Unitholder Nominee Director nominated by such Unitholder(s) to resign / step down from the Board and such Unitholder Nominee Director shall accordingly resign / step down from the Board.

7.2 The Investment Manager is required to inform the Trustee and such Unitholder(s) and the Unitholder Nominee Director of the same and submit a report on the same to the trustee of the InvIT.

8. CHANGE IN UNITHOLDER NOMINEE DIRECTOR OR WITHDRAWAL OF NOMINATION BY ELIGIBLE UNITHOLDER(S)

8.1 If at any time during the financial year, an Eligible Unitholder or a group of Eligible Unitholders propose(s) to withdraw their nomination for the Unitholder Nominee Director that has been appointed on the Board, then such Eligible Unitholder(s), or their authorized representative(s), is required to inform the Investment Manager and the Unitholder Nominee Director of the same, and the Unitholder Nominee Director is required to resign/ step down from the Board.

8.2 If at any time during the financial year, an Eligible Unitholder or a group of Eligible Unitholders proposes to change a Unitholder Nominee Director who has been appointed on the Board, then such Eligible Unitholder(s), or their authorized representatives, are required to inform the Investment Manager of the proposed candidate in the manner set out in clause 5.2 to 5.5 read with Annexure A of this Policy, and the Investment Manager and/or the Board shall evaluate the proposed candidate in the manner set out in clause 5.6 to clause 5.9 of this Policy.

9. TENURE OF UNITHOLDER NOMINEE DIRECTOR

9.1 A Unitholder Nominee Director will continue to remain on the Board unless:

- i. the nomination is withdrawn by Eligible Unitholder(s); or
- ii. change in the Unitholder Nominee Director is requested by Eligible Unitholder(s); or
- iii. the Unitholding of Eligible Unitholder(s) falls below the required threshold consequent to which the Unitholder Nominee Director resigns/ step downs from the Board; or
- iv. the Unitholder Nominee Director is unable to serve or resigns or is removed from the Board for any reason including the reasons set out in the SEBI Circular and this Policy.

10. CESSATION OR VACATION OF OFFICE OF A UNITHOLDER NOMINEE DIRECTOR

10.1 If the unitholding of the Eligible Unitholder(s) (individually or collectively) falls below 10% of the total outstanding units of the InvIT including on account of any fresh issuance of units by the InvIT, then the Eligible Unitholder(s) are required to immediately inform the Investment Manager within two working days from such change and the Unitholder Nominee Director is required to resign within two working days from such change.

10.2 The Eligible Unitholder(s) may propose another individual as a replacement in the manner set out in clause 5.2 to 5.5 read with Annexure A of this Policy, in case of death or permanent disability of their nominee.

10.3 The Board including the NRC, may remove a Unitholder Nominee Director from office, by recording such reasons in writing, including if the Unitholder Nominee Director ceases to meet the eligibility criteria or other requirements as specified in this Policy, SEBI InvIT Regulations and Applicable Law and such Unitholder Nominee Director shall be required to resign/ step down from the Board within the timelines provided by the NRC.

11. SITTING FEES/ REMUNERATION OF UNITHOLDER NOMINEE DIRECTORS

The remuneration/ compensation/ commission/ sitting fees for the Unitholder Nominee Directors (including annual increments, if any) will be determined by the NRC and recommended to the Board.

12. AMENDMENT OF THIS POLICY

Notwithstanding the above, this Policy shall stand amended to the extent of any change in Applicable Law without any action of the Investment Manager or approval of the Unitholders. The NRC and the Board reserve the right to amend or modify this Policy, in whole or in part, from time to time.

Annexure A

The Eligible Unitholder(s) are required to inform the Investment Manager in writing of their proposed candidate for the Unitholder Nominee Director along with following details:

1. name of the candidate;
2. DIN of the candidate;
3. a brief profile of the candidate, including
 - a. age,
 - b. educational qualifications,
 - c. professional qualifications,
 - d. nationality, occupation,
 - e. address,
 - f. experience in the sector and sub-sector in which the InvIT operates; and
 - g. directorship in other entities, together with back-up documents;
4. details of any outstanding criminal action, regulatory action or material civil litigation against the candidate;
5. details required under the Companies Act, 2013 to facilitate the Investment Manager for filing of Form DIR-12; and
6. confirmations in relation to eligibility of the candidate as set out below:
 - a. the person should be “fit and proper” based on the criteria specified under schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as amended;
 - b. the person is not a willful defaulter or fraudulent borrower, or a promoter or director or person in control of a company or entity categorized as such by any bank or financial institution in accordance with the guidelines prescribed by the Reserve Bank of India;
 - c. the person’s name does not appear under any list of disqualified directors issued by the Ministry of Corporate Affairs and is not debarred from acting as a director or member of management by any court, regulatory or supervisory authority
 - d. the person is not debarred from accessing the capital markets by the SEBI or any other authority
 - e. the person is not or has not been a promoter or director or person in control of any company or entity which has been debarred from accessing the capital markets by the SEBI or any other authority