

## **NATIONAL HIGHWAYS INFRA TRUST- POLICY ON RELATED PARTY TRANSACTIONS**

**A. Preamble:** The board of directors of National Highways Investment Managers India Limited (the “Board”), the investment manager to the National Highways Infra Trust (the “Investment Manager”) has adopted the following policy and procedures (the “Policy”) with respect to related party transactions (as defined below) and conflict of interest situations. The audit committee of the Investment Manager (the “Committee”) may, from time to time, review, and recommend amendments to the Policy to the Board. The Board may amend the Policy from time to time, subject to applicable law.

The Policy is adopted upon recommendation of the Audit Committee and said policy includes the materiality threshold(s) and the manner of regulating the transactions of the National Highways Infra Trust (“Trust”) with its Related Parties (as hereinafter defined), based on the laws and regulations applicable to the Trust and best practices.

**B. Objectives:** The objective of the Policy is to ensure proper approval, supervision and reporting of the transactions between the Trust and its Related Parties.

### **C. Definitions:**

- i. “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- ii. “Associate” of any person shall have the meaning ascribed to such term under the InvIT Regulations.
- iii. “Board” means the board of directors of National Highways Investment Managers India Limited.
- iv. “Committee” means the Audit Committee constituted by the Board of Directors of the Investment Manager, in accordance with the placement memorandum and the applicable laws, including the InvIT Regulations and the Listing Regulations including any amendment or modification thereof, as may be applicable.
- v. “Director” means a director on the board of the Investment Manager.
- vi. “Investment Manager” means National Highways Investment Managers India Limited, the investment manager of the Trust.
- vii. “InvIT Regulations” means SEBI (Infrastructure Investment Trusts) Regulations, 2014, including any modifications or enactments, thereto, including any amendment or modification thereof, as may be applicable.
- viii. “Issue” means the offer, issue and allotment of Units (as hereinafter defined) to any select person or group of persons on a private placement basis, as applicable, pursuant the InvIT Regulations.
- ix. “Listing Regulations” means SEBI (Listing Obligations and Disclosure Requirements) 2015, including any modifications or enactments, thereto, including any amendment or modification thereof, as may be applicable.
- x. “Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or

ten percent of the annual consolidated turnover of the Trust as per the last audited financial statements of the Trust, whichever is lower.

Notwithstanding the above and pursuant to Regulation 23(1A) of Listing Regulations a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered Material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Trust as per the last audited financial statements of the Trust.

Notwithstanding the above and pursuant to Regulation 19(3) of InvIT Regulations, following transactions will also be considered material if,

- the total value of all the related party transactions, in a financial year, pertaining to acquisition or sale of assets whether directly or through SPV, or investments into securities exceeds five per cent. of the value of the Trust's assets; or
- the value of the funds borrowed from related parties, in a financial year, exceeds five per cent. of the total consolidated borrowings of the Trust, holdco and the SPV(s).

- xi. "Material Modification" shall mean any modification in the material terms of the related party transaction as may be approved by the audit committee.
- xii. "Project Manager" means National Highways InvIT Project Managers Private Limited (NHIPMPL), the project managers of the Trust.
- xiii. "Related Party of the Trust"/ "Related Parties" shall mean  
(i) the Sponsor, then Investment Manager, the Project Manager and the Trustee;  
(ii) any promoters, directors and partners of persons mentioned in clause (i) above;  
(iii) all parties covered under the applicable accounting standards, and under the Companies Act, 2013.  
Provided that any person or entity forming a part of the sponsor or sponsor group of the Trust shall be deemed to be a related party.
- xiv. "Related Party Transactions" or "RPT" means a transaction defined as a related party transaction under the Listing Regulations and InvIT Regulations, including any amendment or modification thereof, as may be applicable.

Provided further that, any transaction between the Trust and one or more infrastructure investment trusts having a common investment manager or sponsor, or a transaction where the Investment Manager or the Sponsor is an Associate of the investment manager or sponsor of the other infrastructure investment trust(s), shall be deemed to be related party transactions for such parties.

Transaction with a related party shall be construed to include a single transaction or a group of transactions.

- xv. "Sponsor" means National Highways Authority of India (NHAI), the sponsor of the Trust.
- xvi. "SPV" shall have the meaning ascribed to such term in the InvIT Regulations.
- xvii. "Trust" means National Highways Infra Trust.

- xviii. "Trustee" means IDBI Trusteeship Services Limited, the trustee to the Trust.
- xix. "Unit" shall mean an undivided beneficial interest of the InvIT, and such Units together represent the entire beneficial interest of the InvIT.
- xx. "Unitholder" means any person who owns Units of the Trust.

The words and phrases not defined under this Policy will carry the same meaning as defined under Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 or Companies Act, 2013 or Listing Regulations (to the extent applicable).

#### **D. Policy**

- i. In accordance with the InvIT Regulations, the Investment Manager will ensure that all Related Party Transactions shall be:
  - a) on an arm's length basis;
  - b) in accordance with the relevant accounting standards;
  - c) in the best interest of the Unitholders;
  - d) consistent with the strategy and investment objectives of the Trust; and
  - e) compliant with applicable law and regulations.
- ii. The Investment Manager will establish an internal control system so as to ensure that Related Party Transactions are compliant with the InvIT Regulations, the Listing Regulations and applicable accounting standards. Further, the Investment Manager shall convene meetings of the Unitholders in accordance with Regulation 22 of the InvIT Regulations, and maintain records pertaining to such meetings in the manner prescribed. The Investment Manager shall also ensure compliance with any additional guidelines issued in this regard by Securities and Exchange Board of India and other relevant regulatory or governmental authorities from time to time.
- iii. In addition to any other requirement that may be prescribed in terms of the InvIT Regulations, the Listing Regulations or other applicable laws, all Related Party Transactions to be entered into will be reviewed and approved by the Committee.
- iv. As a general rule, the Investment Manager must demonstrate to the Committee that future Related Party Transactions satisfy the criteria set out in Paragraph D(i) at the time of recommending the same for the approval of the Committee.
- v. The Committee shall review at such interval as per applicable law in each financial year the Related Party Transactions entered into during such consecutive intervals to ascertain that the guidelines and procedures established to monitor the Related Party Transactions have been complied with.
- vi. The review by the Committee will include the examination of the nature of the transaction and its supporting documents or such other data as may be deemed necessary by the Committee.
- vii. While considering a Related Party Transaction, any member of the Committee/Board who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion, review and voting on the Related Party Transaction.

## **E. Identification of Related Parties & Transactions**

- i. The Compliance Officer shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –
  - a. All Directors and Key Managerial Personnels of the Investment Manager;
  - b. All individuals, partnership firms, Companies and other persons as declared and updated by Directors and Key Managerial Personnel of the Investment Manager;
  - c. SPVs of Trust, if any;
  - d. Relatives of the Director or Key Managerial Personnel of the Investment Manager, if any;
  - e. All the Group entities; and
  - f. Any other entity which is identified as a Related Party in accordance with this policy.
- ii. The database shall be updated whenever necessary and shall be reviewed at least once a year by the Compliance Officer and Chief Financial Officer.
- iii. Before the start of each financial year, the Compliance Officer shall draw up a list of Related Party(s) identified in accordance with this Policy. Any changes in the list during the financial year shall be made as and when the information is received in this regard.
- iv. Every Director, Key Managerial Personnel, Leadership Team Members, Head of Departments (HODs) and other officers authorized to enter into contracts/arrangements will be responsible for providing prior Notice to the Compliance Officer of any potential Related Party Transaction and subsequent material modifications thereto. They will also be responsible for providing additional information about the transaction that the Board/Committee may request, for being placed before the Committee and the Board.
- v. The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.
- vi. Any transaction entered by the Investment Manager on behalf of the Trust with a Related Party will be regulated as per this Policy.

## **F. Approval Matrix of the Policy**

The Committee shall review and approve all RPTs and subsequent material modifications thereto based on this Policy.

Only the members of the Committee who are Independent Directors shall approve the related party transactions.

All proposed RPTs and proposed subsequent material modifications thereto must be reported to the Committee for prior approval by the Committee in accordance with this Policy.

In the case of frequent/regular/repetitive transactions which are in the normal course of business of the Trust, the Committee may grant standing preapproval/omnibus approval.

Provided that a related party transaction to which the SPV of a Trust is a party but the Trust is not a party, shall require prior approval of the Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the [annual consolidated turnover, as per the last audited financial statements of the Trust]<sup>1</sup>;

Provided further that prior approval of the Committee/ Unitholders shall not be required for a related party transaction to which the listed SPV is a party but the Trust is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to such listed SPV.

Provided further that prior approval of the Committee/ Unitholders shall not be required:

- i. if transactions are entered into between the Trust and its wholly owned SPV whose accounts are consolidated with the Trust and are placed before the unitholders at the meeting for approval.
- ii. if transactions entered into between two wholly-owned SPVs of the Trust, and whose accounts are consolidated with the Trust and are placed before the unitholders at the meeting for approval.

## **G. Review and Approval of Related Party Transactions**

### **I. By Audit Committee:**

All the transactions which are identified as Related Party Transactions and subsequent material modifications thereto should be pre-approved by the Committee before entering into such transaction whether at a meeting or by resolution by circulation or through electronic mode. The Committee shall consider all relevant factors while deliberating on the RPTs for its approval. The Related Party Transactions shall be approved only by the members of the Committee who are Independent Directors.

Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction.

A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of unitholders as discussed subsequently.

In determining whether approval can be accorded to a Related Party Transaction, the Committee will be provided with all the relevant information pertaining to the Related Party Transactions as required under applicable acts, regulations, rules and circulars/guidelines.

The Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of Listing Regulations and such other conditions as it may consider necessary in line with this policy and in the interest of the Trust.

The committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Trust. The omnibus approval shall specify:

- i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
- ii. the indicative base price / current contracted price and the formula for variation in the price if any; and
- iii. such other conditions as the committee may deem fit.

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. It shall be ensured that minimum information as required under applicable acts, regulations, rules and circulars/guidelines is placed before the Committee.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.

The Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Trust pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

Related Party Transactions entered into by the Trust, which are not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

Subject to the applicable laws, the Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

## **II. By Board of Directors:**

Where matters concerning Trust relate to transactions entered into or to be entered into by the Investment Manager for and on behalf of Trust with a Related Party, the Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted in accordance with the parameters set out in paragraph D(i).

In case any RPTs are referred to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price,

such transactions shall be effected only with prior approval of the Board of the Investment Manager, on recommendation of the Committee.

The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction.

## **III. By Unitholders:**

If a related party transaction and subsequent material modifications is

- (i) a material related party transaction, or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as provided in this Policy,

it shall require unitholders' approval by a resolution where votes cast in favour of the resolution shall be more than the votes cast against the resolution and all the Related Parties shall abstain from voting on such resolution(s).

All the related parties shall not vote to approve the relevant transactions irrespective of whether such related party is a party to the particular transaction or not.

To approve the related party transactions, Unitholders will be provided with all the relevant information pertaining to the Related Party Transaction as required under applicable acts, regulations, rules and circulars/guidelines.

## **H. Standards for Review**

A Related Party Transaction or any material modification reviewed under this Policy will be considered approved or ratified if it is authorised by the Committee or the Board or the Unitholders in the Meeting, as applicable, in accordance with the standards set-forth in this Policy after full disclosure of the Related Party's interests in the transaction.

To review a Related Party Transaction, the Board/ Committee/ Unitholders will be provided with all the relevant information pertaining to the Related Party Transaction, including but not limited to:

### **I. Information to be provided to the Committee for consideration of Related party Transactions:**

- i. Type, material terms and particulars of the proposed transaction;
- ii. Name of the related party and its relationship with the Trust or its SPV, including nature of its concern or interest (financial or otherwise);
- iii. Tenure of the proposed transaction (particular tenure shall be specified);
- iv. Value of the proposed transaction;
- v. The percentage of the Trust's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a SPV, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Trust or its subsidiary:
  - a. details of the source of funds in connection with the proposed transaction;
  - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- vii. Justification as to why the RPT is in the interest of the Trust;
- viii. A copy of the valuation or other external party report, if any such report has been relied upon;
- ix. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- x. Any other information that may be relevant.

The committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

### **II. Information to be provided to unitholders for consideration of Related Party Transactions:**

The notice being sent to the unitholders seeking approval for any proposed RPT shall include the following information as a part of the explanatory statement:

- i. A summary of the information provided to the committee as specified in point I above;
- ii. Justification for why the proposed transaction is in the interest of the Trust;

- iii. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Trust or its SPV, the details specified under point I(vi) above;
- iv. A statement that the valuation or other external report, if any, relied upon by the Trust in relation to the proposed transaction will be made available through the registered email address of the unitholders;
- v. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- vi. Any other information that may be relevant.

#### **I. RPTs not previously approved**

In the event, where the Trust becomes aware of a related party transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Unitholders as may be required in accordance with this Policy and in compliance with the applicable laws and regulations as may be amended from time to time.

The Committee or the Board or the Unitholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available, including but not limited to ratification, revision, or termination of such transaction, and the Investment Manager on behalf of the Trust shall take such action as the Committee deems appropriate under the circumstances.

#### **J. Disclosure and Reporting**

- i. The Investment Manager shall submit to the Trustee, quarterly reports on the activities of the Trust, including the status of compliance with the requirements specified under the InvIT Regulations in relation to Related Party Transactions, within 30 days of the end of each quarter.
- ii. Related Party Transactions shall be disclosed to the Stock Exchanges and the Unitholders half yearly in the format specified along with the standalone financial statements, in accordance with the InvIT Regulations, the Listing Regulations and the agreement entered into with the stock exchanges in relation to the listing of the Units. The Investment Manager shall adequately disclose the details of any fees or commissions received or to be received by such related party(ies) to the stock exchanges.
- iii. In terms of the InvIT Regulations, the annual report to be submitted by the Investment Manager to all Unitholders, electronically or by physical copies, and to the Stock Exchanges within three months from the end of the financial year, shall contain, inter alia, details of all related party transactions, including acquisitions or disposal of any projects, directly or through SPVs during the year, the value of which exceeded 5% of value of the assets of the Trust.
- iv. Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under the Listing Regulations and the same shall be placed/taken note of before the meeting of the Board.

#### **K. Website**

As per the provisions of the Listing Regulations, the Policy shall be disclosed on the website of the Trust.



## **L. Limitation and Amendments**

The Policy is subject to review from time to time and atleast once in every three years.

Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable law, including any amendment to the InvIT Regulations or Listing Regulations (to the extent applicable), without any action from the Investment Manager or approval of the Unitholders of the Trust.

The said policy is not to be construed for the compliance with provisions of Companies Act, 2013.

Further, the interpretation of the materiality limits as set out here shall be limited to this policy only.

## **M. Effective Date**

This policy was first approved by the Board of Directors of National Highways Investment Managers India Limited on behalf of the Trust on 3<sup>rd</sup> February 2021 and has been amended by the Board of Directors on 15<sup>th</sup> December,2022 and is effective from 15<sup>th</sup> December,2022.