

## NHIT | Corporate Governance Framework

*Please note that the framework set out below is in addition to the requirements under the Companies Act, 2013 (“Companies Act”) and the other laws, as may be applicable to National Highways Infra Investment Managers Private Limited (the “Investment Manager”) and National Highways Infra Projects Private Limited (“Project SPV”).*

- A. The corporate governance framework shall be applicable to the Investment Manager and shall include the following elements:
- (a). composition of the board of directors of the Investment Manager;
  - (b). constitution of committees of the board of directors of the Investment Manager;
  - (c). constitution of operating committees of the Investment Manager;
  - (d). frequency of meetings of the board of directors/ committees of the Investment Manager;
  - (e). provisions in the articles of association of the Investment Manager;
  - (f). various policies to be adopted by the Investment Manager; and
  - (g). appointment of majority directors on the board of the Project SPV by the Investment Manager.

B. Particulars of the Corporate Governance Framework

**1. Investment Manager**

**1.1. Board of Directors**

*Composition of the Board of Directors of the Investment Manager*

In addition to applicable provisions of the Companies Act, 2013, the board of directors should adhere to the following:

- (a) The Board of Directors shall comprise of not less than six directors and have not less than one woman independent director;<sup>1</sup>
- (b) Not less than 50% of the board of directors shall comprise of independent directors<sup>2</sup> and not directors or members of the governing board of the Investment Manager of another infrastructure investment trust registered under the Securities and Exchange Board of India (Infrastructure Investment Trust) Regulations, 2014, as amended;
- (c) the chairman of the board of directors should be a non-executive independent director; and
- (d) collective experience of directors should cover a broad range of commercial experience, particularly experience in infrastructure sector (including the applicable sub-sector), investment management or advisory and financial matters<sup>3</sup>.

*Quorum*

The quorum shall be 1/3<sup>rd</sup> of total strength or three directors whichever is higher including atleast 1(one) independent director.

*Frequency of meetings*

The board of directors should meet at least four times every year, with a maximum gap of 120 days between any two successive meetings. Additionally, the board of directors should meet prior to any meeting of the unitholders and approve the agenda for unitholders’ meetings.

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<sup>1</sup> Effective April 1, 2023 in terms of Securities and Exchange Board of India (Infrastructure Investment Trusts)(Amendment) Regulations, 2023

<sup>2</sup> The independence of directors should be determined in accordance with the Companies Act read with the Securities and Exchange Board of India (Infrastructure Investment Trusts)(Amendment) Regulations, 2023, LODR Regulations, as applicable and would be determined vis-a-vis each of the Investment Manager and the Sponsor.

<sup>3</sup> The combined relevant experience of the directors and employees of the Investment Manager should be not less than 30 years as on the date of filing the InvIT registration application with SEBI.

## **1.2. Remuneration of directors**

Remuneration including sitting fees of the directors will be decided by the board of directors, from time to time.

## **1.3. Independent Directors**

Independent Directors shall mean the independent directors who complies with requirements of SEBI InvIT Regulations, as amended from time to time.

## **1.4. Committees of the board of directors**

### **(a). Audit Committee**

#### *Composition of the Audit Committee*

The audit committee should comprise at least 2/3<sup>rd</sup> of independent directors and will comprise of at least three members. The chairperson of the audit committee should be an independent director. All members of the audit committee should be financially literate and at least one member should have accounting or related financial management expertise.<sup>4</sup> The company secretary shall act as the secretary to the audit committee.

#### *Quorum*

The quorum shall either be 2 (two) members or 1/3<sup>rd</sup> of the members of the audit committee, whichever is greater, with at least two independent directors.

#### *Frequency of meetings*

The audit committee should meet at least four times every year, with a maximum gap of 120 days between any two successive meetings. Additionally, the audit committee should meet prior to any declaration of distributions and provide recommendations to the board of directors regarding any proposed distributions.

#### *Scope of the Audit Committee*

The terms of reference of the audit committee should include the following:

- (i). recommending to the board of directors the appointment, re-appointment and replacement, remuneration and terms of appointment of the statutory auditor of the Trust and the audit fee, subject to the approval of the unitholders;
- (ii). Approving the payment to statutory auditors for any other services rendered by the statutory auditors;
- (iii). Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (iv). Evaluation of internal financial controls and risk management systems;
- (v). reviewing and monitoring with the management, the independence and performance of statutory and internal auditors of the Trust, and adequacy and effectiveness of the audit process and internal control systems, as necessary;

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<sup>4</sup> Financial literacy and expertise in accounting or related financial management matters shall be determined in accordance with the LODR Regulations.

- (vi). Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (vii). Reviewing management letters/letters of internal control weaknesses issued by the statutory auditors and the findings of any internal investigations in relation to the Trust, into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature, discussing such findings with internal and statutory auditors and follow ups thereon and reporting the matter to the board of directors;
- (viii). Oversight of the Trust's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (ix). Reviewing the annual financial statements and auditor's report thereon of the Trust and the Investment Manager, before submission to the board of directors for approval, with particular reference to:
- matters required to be included in the director's responsibility statement to be included in the board's report of the Investment Manager in terms of clause (c\_) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - changes, if any, in accounting policies and practices and reasons for such change;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with listing and other legal requirements relating to financial statements;
  - disclosure of any related party transactions; and
  - modified opinions or qualifications in the draft audit report;
- (x). reviewing, with the management, the Trust's financial disclosure and reporting process and all periodic financial statements, including but not limited to quarterly, half-yearly and annual financial statements of the Trust, whether standalone or consolidated or in any other form as may be required under applicable law, before submission to the board of directors for approval;
- (xi). Reviewing the management's discussion and analysis of financial condition and results of operations;
- (xii). Reviewing and evaluating the adequacy of financial controls, risk management systems and internal audit function if any of the Trust, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xiii). Reviewing, with the management, the statement of uses/application of funds raised through an issue of units by the Trust (including but not limited to public issue, rights issue, preferential issue, private placements, etc.) and any issue of debt securities, and the statement of funds utilised for purposes other than those stated in the offer documents/ notice, and making appropriate recommendations to the board of directors for follow-up action;
- (xiv). (a) reviewing the procedures put in place by the Investment Manager for reviewing related party transactions, the indemnification of expenses or liabilities incurred by the Investment

Manager, and the setting of fees or charges payable out of the Trust's assets, (b) reviewing the statement of significant related party transactions, submitted by the management; and (c) approving or any subsequently modifying transactions of the Trust with related parties, and recommending such transactions to the board of directors or the unitholders, as may be required, in terms of the InvIT Regulations;

- (xv). Scrutiny of inter-corporate loans and investments of the Trust, including (a) reviewing the investment decisions with respect to the underlying assets or projects of the Trust from the Sponsor including any further investments or divestments and (b) approving any proposal in relation to acquisition of assets, further issue of units including in relation to acquisition of assets; and undertaking other functions to ensure protection of the interest of unitholders;
- (xvi). Reviewing the utilization of loans and/ or advances from/investment by the Trust in the SPVs exceeding rupees 100 crore or 10% of the asset size of the SPVs, whichever is lower including existing loans / advances / investments;
- (xvii). Valuation of undertakings or assets of the Trust, wherever it is necessary
- (xviii). Giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the valuer of the Trust; as well as reviewing and monitoring the independence and performance of the valuer of the Trust;
- (xix). Providing recommendations to the board of directors regarding any proposed distributions, and evaluating any defaults or delay in payment of distributions to the unitholders or dividends by the Project SPV to the Trust and payments to any creditors or debenture holders of the Trust or the Project SPV, and recommending remedial measures; and
- (xx). To review the functioning of the whistle blower mechanism;
- (xxi). Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (xxii). Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Trust and its unitholders or Investment Manager and its shareholders.
- (xxiii). Formulating any policy for the Investment Manager as necessary, in relation to its functions, as specified above.

(b). Stakeholders' Relationship Committee

*Composition of the Stakeholders' Relationship Committee*

The stakeholders' relationship committee should comprise at least three members. At least one member of the committee shall be an independent director. The chairperson of this committee shall be a non-executive director.

*Quorum*

The quorum shall be at least 50% of the members of the committee.

#### *Frequency of meetings*

The stakeholders' relationship committee should meet at least four times every year, or as frequently as determined by the board of directors or as directed by the trustee of the Trust, with a maximum gap of 120 days between any two successive meetings.

#### *Scope of the Stakeholders' Relationship Committee*

The terms of reference of the stakeholders' relationship committee should include the following:

- (i) Consider and resolve grievances of the unitholders or debenture holders, including complaints related to the transfer/transmission of units, non-receipt of annual report, non-receipt of declared distributions and non-receipt of interest or principal repayment on debentures, general meetings;
- (ii) Review of measures taken for effective exercise of voting rights by shareholders;
- (iii) Review of any litigation related to unitholders' grievances;
- (iv) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent;
- (v) Review of the various measures and initiatives taken by the Trust or Investment Manager for reducing the quantum of unclaimed distributions and ensuring timely receipt of distribution warrants/annual reports/statutory notices by the unitholders of the Trust;
- (vi) update unitholders on acquisition / sale of assets by the Trust and any change in the capital structure of the Project SPV;
- (vii) Reporting specific material litigation related to unitholders' grievances to the board of directors;
- (viii) Approve report on investor grievances to be submitted to the Trustee;
- (ix) Undertaking all functions in relation to resolution of any conflicts of interest;
- (x) Coordination with the unitholders on matters in connection with voting (including in respect of actions which require approval of the unitholders in accordance with applicable law); and
- (xi) provide the unitholders with regular updates and information on the operation or performance of the Trust.

#### (c). *Nomination and Remuneration Committee*

##### *Composition of the Nomination and Remuneration Committee*<sup>5</sup>

The nomination and remuneration committee should comprise at least three members. All the members of the Committee shall be Independent directors. The chairperson of this committee shall be an independent director. Provided that the chairperson of the Board, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

#### *Quorum*

The quorum shall be either 2(two) members or 1/3<sup>rd</sup> of the members of the Nomination and Remuneration Committee whichever is greater.

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<sup>5</sup> The expression "non executive director, wherever occurs, shall be read as "Independent Directors", as per the Securities and Exchange Board of India (Infrastructure Investment Trusts)(Amendment) Regulations,2023 dated 14<sup>th</sup> February 2023

### *Frequency of meetings*

The nomination and remuneration committee should meet at least once or at a frequency as determined by the board of directors or as directed by the trustee of the Trust, with a maximum gap of 120 days between any two successive meetings.

### *Scope of the Nomination and Remuneration Committee<sup>6</sup>*

The terms of reference of the nomination and remuneration committee should include the following:

- (i) ensuring compliance with the requirements of the Companies Act, 2013, Invit Regulations;
  - (ii) formulation of the criteria for determining qualifications, positive attributes and independence of a director, key managerial persons and other employees;
  - (iii) formulation of criteria for evaluation of performance of independent directors and the board of directors;
  - (iv) recommending to the board, all remuneration, in whatever form, payable to senior management;
  - (v) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
  - (vi) making all recommendation in relation to appointment or re-appointment or replacement or removal of (a) independent directors; (b) any key managerial personnel; and (c) directors on the board of directors of the Project SPV;
  - (vii) formulating the following policies:
    - (a) the policy for appointment of independent directors (including the skills, knowledge, qualification and experience requirements, compensation model, performance parameters, process for appointment, evaluation and removal);
    - (b) the policy for nomination of directors on the board of directors of the Project SPV (including qualification and experience requirements, compensation model, performance parameters, process for appointment and removal);
    - (c) the human resources policy (in relation to employment terms including remuneration) for the key managerial personnel; and
    - (d) devising a policy on diversity of board of directors.
  - (viii) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- (d). *Risk Management Committee*

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<sup>6</sup> *The scope of the Nomination and Remuneration Committee (NRC) shall be read in consonance with:*

- a. *The Articles of Association (AoA) of the Investment Manager (as per Clause 83 of the AoA, the identification of Independent Directors shall be done through a Search cum Selection Committee and as per Clause 83A of the AoA, the sponsor and the Ministry of Road, Transport and Highways (MoRTH) will be entitled to representation on the Board of Directors through the appointment of 4 (four) Directors, one of whom will be MD& CEO on the Board of Directors ("Sponsor Directors") and the term of such Directors (including the Independent Director(s)) shall be as decided by the Sponsor and MoRTH subject to the provisions of the Act. Each director and shareholder of the Company shall exercise their rights (including voting rights) and take all other actions necessary to ensure the appointment of the Directors, in consonance with the foregoing and in accordance with the Act or applicable SEBI Regulations; as amended from time to time;*
- b. *Letters dated 12<sup>th</sup> July, 2022 and 23<sup>rd</sup> February, 2023 from Ministry of Road Transport and Highways (MoRTH) allowing Investment Manager to manage the terms of appointment of staff as per its Corporate Governance Framework and to recruit, compensate and remove human resources as per policies approved by the NRC and Board.*

The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

#### *Composition of the Risk Management Committee*

The Risk Management committee should comprise at least three members with majority of them being members of the board of directors, including at least one independent director. The chairperson of this committee shall be a member of the Board of Directors and senior executives may be member of committee

#### *Quorum*

The quorum shall be either 2 members or 1/3<sup>rd</sup> of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

#### *Frequency of meetings*

The Risk Management committee should meet at least twice in a year or as frequently as determined by the board of directors or as directed by the trustee of the Trust, with a maximum gap of 180 days between any two successive meetings.

#### *Scope of the Risk Management Committee*

The terms of reference of the Risk Management committee should include the following:

- (i) To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan.
- (ii) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business;
- (iii) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (iv) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (v) to keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (vi) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) will be done as per the extant HR Policies of the Company by MD &CEO in consultation with the Risk Management Committee.

**1.5. Operating Committee(s) of the Investment Manager**

a) Sustainability and Safety Committee

*Composition of the Sustainability and Safety Committee*

**Chair:** *Independent Director appointed by the Board of the Company*

**Member:** *The Committee will comprise the Chair, at least 2 (two) Nonexecutive/ Independent Directors of the Company. On recommendation of the Chair, Senior executive of the Company may also be appointed as member of the Committee.*

*Quorum*

*The quorum shall be at least 2 (two) members of the Sustainability and Safety Committee.*

*Frequency of meetings*

*The Sustainability and Safety committee should meet at least twice in a year or as may be determined by the Committee suiting to the requirement of the business.*

*Scope and Terms of reference of Sustainability and Safety Committee:*

**1. Scope:**

*The role of the “Sustainability and Safety Committee” is to provide ongoing oversight of climate matters and the sustainability agenda, road user and occupational health and safety. References in these terms of reference to ‘sustainability’ shall mean sustainability matters where relevant to climate or other environmental matters and shall include Community, Diversity and Environment.*

*References in these terms of reference to “Safety” shall mean promotion of positive health and safety culture, provide safe and healthy workplaces, appropriate training to inculcate environment, health, and safety consciousness, protection of environment, biodiversity and ecosystems in our operations.*

**2. Terms of reference:**

**2.1.** *Support and advise the Board in its oversight of sustainability and safety related matters relating to:*

- (i) the services provided to the users of the assets of the National Highways Infra Trust (“NHIT”) and entities of NHIT including Special Purpose Vehicles (SPVs);*
- (ii) particular sectors, and*
- (iii) its own corporate activities;*

**2.2.** *Support the Board in monitoring the implementation of the Company’s sustainability and safety strategy and, if appropriate, make recommendations to the Board as to how to further develop these strategies;*

**2.3.** *Review and make recommendations to the Board on the suitability of NHIT’s sustainability and safety strategy, position statements, frameworks, ambitions, metrics, and targets;*

**2.4.** *Report to the Board on the sustainability and safety matters for which it is responsible, escalating issues and making recommendations to the Board where appropriate.*

**Authority and Delegation**



- 2.5. *The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyze particular issues or themes and to report back to the Committee.*
- 2.6. *The Committee is established by the Board of the Company and its authority extends to all matters relating to its responsibilities below for the Company, NHIT and SPVs under NHIT, save to the extent that matters relate solely to the Company, NHIT and/or SPVs under NHIT and fall solely within the remit of the terms of reference of the Board Sustainability Committee of the Company, in which event such matters shall be dealt with by such committee within the parameters set by this Committee.*
- 2.7. *The Committee has authority to investigate any matter relating to the Company, NHIT and SPVs under NHIT within its Terms of Reference and to obtain such information as it may require from any Director, officer or employee of the Company and SPVs under NHIT.*

**Responsibilities:**

- 2.8. *Review at regular intervals and at least once a year, the implementation of the NHIT's sustainability and safety strategy and regularly review progress against any measurable objectives that the Board has set in respect of this strategy.*
- 2.9. *Receive and review regular business updates and reports across the NHIT and entities of NHIT, on performance against its sustainability and safety strategy as well as its Sustainable Finance and ESG Reporting Frameworks.*
- 2.10. *Monitor and receive updates on developments, emerging best practice and regulatory changes in relation to sustainability and safety matters which impact the business of the Company, NHIT and entities of NHIT, and its sustainability and safety strategy, as well as the implementation of this strategy.*
- 2.11. *Be informed on the formulation of the NHIT's approach to engagement with stakeholders and external communications pertaining to sustainability and safety matters.*
- 2.12. *Review the NHIT's public sustainability strategy materials prior to their release, to the extent these materials do not otherwise fall within the remit of the Audit Committee.*
- 2.13. *Escalate to the Board any sustainability and safety matters under its responsibility where it considers that material action or improvement additional to any proposed by management is required to help the Company, NHIT and SPVs under NHIT deliver its sustainability and safety ambitions; and*
- 2.14. *Work and liaise, as necessary, with other committees of the Board. In particular, the Committee shall:*
- 2.14.1. *notify the Board Audit Committee of any matters that may be relevant to ESG and Task Force on Climate-Related Financial Disclosures ("TCFD") disclosures and at the request of the Board Audit Committee, provide any support required in assessing the adequacy of the Company's Sustainable Finance and ESG Reporting Frameworks;*
- 2.14.2. *notify the Risk Committee of any matters within the Committee's remit that may require consideration in relation to Climate Risk, Conduct Risk and/or Legal Risk as defined in the Enterprise Risk Management Framework and/or in relation any matters within the Committee's remit that may be relevant in the context of the Reputation Risk Management Framework; and*

**Reporting and Disclosure:**

- 2.15. *The Chair of the Committee shall report to the Board on the proceedings of each meeting.*

*2.16. The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Annual Report, including a description its activities and the significant issues dealt with by the Committee.*

*2.17. The Chair of the Committee, or a deputy chosen from the Committee membership, shall attend and will be prepared to answer questions at the Annual General Meeting of the Company which relate to any matter within the remit of the Committee.*

**Governance and Resources:**

*2.18. periodically review these Terms of Reference and recommend to the Board for approval any amendments the Committee considers necessary.*

*2.19. work and liaise as necessary with all other committees of the Board.*

*2.20. conduct an annual self-assessment and report any conclusions and recommendations to the Board and, as part of this assessment, shall consider whether it has performed in accordance with its responsibilities and whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.*

*2.21. in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and risk management implications of its decisions.*

*2.22. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, who shall have independent access to the Chair of the Committee and to the services of the Company, Corporate Secretariat on Committee matters; and*

*2.23. have the power to engage independent counsel and other professional advisers at the expense of the Company or NHIT or SPVs under NHIT and to invite them to attend meetings.*

**1.6. Articles of Association of the Investment Manager**

The articles of association should not include any affirmative rights for the Sponsor.

**1.7. Policies to be adopted by the Board of Directors of the Investment Manager**

The Investment Manager, through its Board or Committees, should adopt, among others, the following policies in relation to management of the Trust:

- (i). Code of Conduct
- (ii). Borrowing Policy
- (iii). Policy in relation to related party transactions and conflict of interests - In relation to periodic reporting of associates of (i) Trustee and (ii) Sponsor, to Investment Manager, (i) the investment management agreement will include an obligation on the Trustee to report its list of associates to the Investment Manager; and (ii) the agreement in relation to transfer for assets to the Trust will include an obligation on the Sponsor to report its list of associates to the Investment Manager, respectively.
- (iv). Distribution Policy
- (v). Policy on appointment and removal of other Intermediaries
- (vi). Policy on appointment of Auditor and Valuer of the Trust
- (vii). Policy on Unpublished Price-Sensitive Information and Dealing in Units by the Parties to the Trust and Insider Trading

- (viii). Policy on Materiality for periodic disclosures to the Stock Exchanges
- (ix). Anti-bribery and Anti-corruption Policy
- (x). Anti-money laundering policy
- (xi). Environment, Health and Safety Policy
- (xii). Hedging Policy
- (xiii). Policy for Preservation of Documents
- (xiv). Vigil Mechanism Policy including Whistle Blower policy
- (xv). Familiarisation Programme for Independent Directors
- (xvi). Nomination and Remuneration Policy
- (xvii). Policy on Qualifications and Criteria for the Appointment of Unitholders Nominee Directors on the Board of National Highways Infra Investment Managers Private Limited (“IM” or “Company”)
- (xviii). Investor Protection and Education Fund policy for Units (“IEPF Policy for units”)

## **2. Project SPV**

### ***2.1. Board of Directors of Project SPV***

The Investment Manager, in consultation with the Trustee, shall appoint majority of the board of directors of the Project SPV.