

## 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”), as may be applicable to POWERGRID Unchahar Transmission Limited (the “Investment Manager”) and the project special purpose vehicles (“SPVs”).*

- 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). frequency of meetings of the board of directors/ committees of the Investment Manager;
  - (d). provisions in the articles of association of the Investment Manager;
  - (e). various policies to be adopted by the Investment Manager; and
  - (f). appointment of majority directors on the board of the SPVs 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). Not less than 50% of the board of directors shall comprise of independent directors<sup>1</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, <sup>2</sup>[provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India]; and
- (b). 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.

The articles of association of the Investment Manager shall not provide any right to the Sponsor to appoint any nominee directors on the board of directors of the Investment Manager.

##### *Quorum*

The quorum shall be at least 50% of the number of directors on the board. At least 50% of the directors present shall be independent directors, <sup>3</sup>[provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India].

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<sup>1</sup> The independence of directors should be determined in accordance with the Companies Act read with the LODR Regulations, as applicable and would be determined vis-a-vis each of the Investment Manager and the Sponsor.

<sup>2</sup> Inserted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021.

<sup>3</sup> Inserted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021.

### *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.

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

### *(a). Investment Committee*

#### *Composition of the Investment Committee*

The investment committee will comprise at least three members. A majority of the members of the Investment Committee shall be independent directors, <sup>4</sup>[provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India]. The company secretary shall act as the secretary to the investment committee. The remaining members on the investment committee shall have relevant industry experience.

#### *Quorum*

<sup>5</sup>[The quorum shall be at least one-third of the members of the Investment Committee or two members, whichever is higher. At least 50% of the members present, shall be independent directors, provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India].

### *Frequency of meetings*

The investment committee should meet at least four times every year, with a maximum gap of 120 days between any two successive meetings.

#### *Scope of the Investment Committee*

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

- (i). review of the investment decisions with respect to the underlying assets or projects of the Trust from the Sponsor including any further investments or divestments to ensure protection of the interest of unitholders;
- (ii). undertaking all functions in relation to protection of unitholders' interests and resolution of any conflicts of interest (other than in relation to investors' grievances) including reviewing agreements or transactions in this regard;

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<sup>4</sup> *Inserted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021.*

<sup>5</sup> *Substituted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021. Prior to the substitution, the provision read as follows:*

*The quorum shall be at least one-third of the members of the Investment Committee or two members, whichever is higher, of which at least 50% of the members present, shall be independent directors.*

- (iii). approving any proposal in relation to acquisition of assets, further issue of units including in relation to acquisition or assets;
- (iv). overseeing activities of the project manager in accordance with the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended or supplemented, including any guidelines, circulars, notifications and clarifications framed or issued thereunder and the project implementation and management agreement; and
- (v). formulating any policy for the Investment Manager as necessary, in relation to its functions, as specified above.

(b). Audit Committee

*Composition of the Audit Committee*

<sup>6</sup> [The audit committee should comprise at least three members, and at least 50% of the members of the audit committee shall be independent directors and the chairperson of the audit committee should be an independent director, provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India]. All members of the audit committee should be financially literate and at least one member should have accounting or related financial management expertise.<sup>7</sup> The company secretary shall act as the secretary to the audit committee.

*Quorum*

<sup>8</sup>[The quorum shall be at least one-third of the members of the Audit Committee or two members, whichever is higher. Atleast two members present shall be independent directors, provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India.]

*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:

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<sup>6</sup> Substituted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021. Prior to the substitution, it was read as follows:

The audit committee should comprise at least three members, and at least 50% of the members of the audit committee shall be independent directors. The chairperson of the audit committee should be an independent director.

<sup>7</sup>Financial literacy and expertise in accounting or related financial management matters shall be determined in accordance with the LODR Regulations.

<sup>8</sup> Substituted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021. Prior to the substitution, the provision read as follows:

The quorum shall be at least one-third of the members of the Audit Committee or two members, whichever is higher, of which at least two members present, shall be independent directors.

- (i). examination of the financial statement of Investment Manager and the auditors' report thereon;
- (ii). provide recommendations to the board of directors regarding any proposed distributions by POWERGRID Infrastructure Investment Trust ("Trust");
- (iii). overseeing the Trust's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;
- (iv). giving recommendations to the board of directors regarding 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;
- (v). reviewing and monitoring the independence and performance of the statutory auditor of the Trust, and effectiveness of audit process;
- (vi). approving payments to statutory auditors of the Trust for any other services rendered by such statutory auditors;
- (vii). reviewing the annual financial statements and auditor's report thereon of the Trust, before submission to the board of directors for approval, with particular reference to:
  - 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
  - qualifications in the draft audit report;
- (viii). reviewing, with the management, 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;
- (ix). 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;
- (x). approval or any subsequent modifications of transactions of the Trust with related parties;
- (xi). recommending such related party transactions to the board of directors or the Unitholders, as may be required, in terms of the InvIT Regulations;
- (xii). scrutinising loans and investments of the Trust;

- (xiii). reviewing all valuation reports required to be prepared under applicable law, periodically, and as required, under applicable law;
- (xiv). evaluating financial controls and risk management systems of the Trust;
- (xv). reviewing, with the management, the adequacy of the internal control systems of the Trust, as necessary;
- (xvi). discussion with internal auditors of any significant findings relating to the Trust and follow up there on;
- (xvii). reviewing the adequacy of 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;
- (xviii). reviewing 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 and reporting the matter to the board of directors;
- (xix). reviewing the procedures put in place by the Investment Manager for managing any conflict that may arise between the interests of the unitholders, the parties to the Trust and the interests of the Investment Manager, including 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;
- (xx). discussing with statutory auditors and valuers of the Trust prior to commencement of the audit or valuation, respectively, about the nature and scope, as well as post-audit/ valuation discussion to ascertain any area of concern;
- (xxi). reviewing and monitoring the independence and performance of the valuer of the Trust;
- (xxii). giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the valuer of the Trust;
- (xxiii). evaluating any defaults or delay in payment of distributions to the unitholders or dividends by the SPVs to the Trust and payments to any creditors of the Trust or the SPVs, and recommending remedial measures;
- (xxiv). review of management's discussion and analysis of financial condition and results of operations of the Trust;
- (xxv). review of statement of significant related party transactions of the Trust, submitted by the management;
- (xxvi). granting omnibus approval for related party transactions (which approvals shall be valid for a period not exceeding one year from the date of each such approval, and related party transactions undertaken after the expiry of such period shall require fresh approval of the Audit Committee);
- (xxvii). review, on a quarterly basis, of the details of related party transactions entered into by the Trust pursuant to the omnibus approval;

- (xxviii). review of management letters/letters of internal control weaknesses issued by the statutory auditors of the Trust;
- (xxix). giving recommendations to the board of directors regarding audit fee to be paid to the Statutory Auditors of the Investment Manager and payments for any other services rendered by such Statutory Auditors;
- (xxx). approval or any subsequent modification of transactions of the Investment Manager with related parties, in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder;
- (xxxix). carrying out any other function in relation to the Investment Manager as mentioned in the terms of reference of audit committee under the Companies Act, 2013 and amendments thereto from time to time; and
- (xxxii). formulating any policy for the Investment Manager as necessary, in relation to its functions, as specified above.

(c). Stakeholders' Relationship Committee

*Composition of the Stakeholders' Relationship Committee*

The stakeholders' relationship committee should comprise such number of members constituting at least one third of the board and will comprise at least three members. At least one member of the committee shall be an independent director,<sup>9</sup>[provided required number of independent directors are nominated / appointed on the governing board of the Investment Manager by the Government of India]. The chairperson of this committee shall be a non-executive director.

*Quorum*

The quorum shall be at least one-third of the members of the Stakeholders' Relationship Committee or two members, whichever is higher.

*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 of POWERGRID Infrastructure Investment Trust ("Trust"), including complaints related to the transfer of units, non-receipt of annual report and non-receipt of declared distributions;
- (ii). review of any litigation related to unitholders' grievances;
- (iii). update unitholders on acquisition / sale of assets by the Trust and any change in the capital structure of the SPVs;

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<sup>9</sup> Inserted vide resolution passed by the Board of Directors of Investment Manager on November 5, 2021.

- (iv). reporting specific material litigation related to unitholders' grievances to the Board of Directors; and
- (v). approve report on investor grievances to be submitted to the trustee of the Trust.

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

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

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

The Investment Manager should adopt 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 of auditor and valuer of the Trust
- (vi). Policy on unpublished price-sensitive information and dealing in units by the parties to the Trust
- (vii). Policy on materiality for periodic disclosures to the stock exchanges

**2.**

**2.1. *Board of Directors of SPVs***

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