

POLICY ON RELATED PARTY TRANSACTIONS OF POWERGRID INFRASTRUCTURE INVESTMENT TRUST

A. Preamble

The board of directors of POWERGRID Unchahar Transmission Limited (the “**Board**”), the investment manager to POWERGRID Infrastructure Investment Trust (the “**Investment Manager**”), has adopted the following policy and procedures (the “**Policy**”) with respect to related party transactions of the Trust (as defined below) and conflict of interest situations. The Board may amend the Policy from time to time, subject to applicable law.

The Policy is adopted to regulate the transactions of the POWERGRID Infrastructure Investment Trust (the “**Trust**”) with its Related Parties (as defined below), 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). “**Act**” means the Companies Act, 2013, as amended.
- (ii). “**Associate**” of any person shall have the meaning ascribed to such term under the InvIT Regulations.
- (iii). “**Audit Committee**” means the audit committee constituted by the Board pursuant to Section 177 of the Act.
- (iv). “**Director**” means a director on the board of directors of the Investment Manager.
- (v). “**Investment Manager**” means POWERGRID Unchahar Transmission Limited, the investment manager of the Trust.
- (vi). “**Project Manager**” means Power Grid Corporation of India Limited, the project manager of the Trust.
- (vii). “**SPV**” shall have the meaning ascribed to such term in the InvIT Regulations.
- (viii). “**Related Party of the Trust**”/ “**Related Parties**” shall be defined under the Companies Act, 2013, as amended and shall also include (i) the Sponsor, the Investment Manager, the Project Manager and the Trustee; (ii) any promoters, directors or partners of persons mentioned in clause (i) above; and (iii) all parties covered under the applicable accounting standards, namely Ind-AS 24 ‘*Related Party Disclosures*’.
- (ix). “**Related Party Transactions**” shall mean any transactions between the Trust and any Related Party of the Trust. Further, any transaction between the Trust and one or more infrastructure investment trusts having a common investment manager or sponsor, or a transaction where any of 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.

- (x). “**Sponsor**” shall mean Power Grid Corporation of India Limited, the sponsor of the Trust.
- (xi). “**Trustee**” means IDBI Trusteeship Services Limited, the trustee to the Trust.
- (xii). “**Unit**” shall mean an undivided beneficial interest of the InvIT, and such Units together represent the entire beneficial interest of the InvIT.
- (xiii). “**Unitholder**” means any person who owns Units of the Trust.

D. Policy

- (i). In accordance with the InvIT Regulations, the Investment Manager will ensure that all future 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.
- (ii). Review and approval of Related Party Transactions:
 - (a). Each transaction which is identified as a Related Party Transaction shall be pre-approved by the Audit Committee prior to entering into such transaction.
 - (b). The Audit Committee may grant omnibus approval for Related Party Transactions. Each such omnibus approval shall be valid for a period not exceeding one year from the date of such approval, and Related Party Transactions undertaken after the expiry of such period shall require fresh approval of the Audit Committee. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Trust pursuant to the omnibus approval.
- (iii). The Investment Manager will establish an internal control system so as to ensure that all future Related Party Transactions are compliant with the InvIT 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, statutory or governmental authorities from time to time.
- (iv). In addition to any other requirement that may be prescribed in terms of the InvIT Regulations or other applicable laws, all Related Party Transactions to be entered into in the future will be decided by the Board after the examination of the nature of the transaction and its supporting documents or such other data as may be deemed necessary by the Board.
- (v). The Investment Manager will ensure that 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 a holding company or SPV, or investments into securities, exceeds 5% of the value of the assets of the Trust or any other threshold prescribed by the InvIT Regulations, approval from the

Unitholders shall be obtained prior to entering into any such subsequent transaction with any Related Party, in accordance with Regulation 22 of the InvIT Regulations.

- (vi). The Investment Manager will ensure that if the value of the funds borrowed from Related Parties in a financial year exceeds 5% of the total consolidated borrowings of the Trust, any holding company and the SPVs, or any other threshold prescribed by the InvIT Regulations, approval from the Unitholders shall be obtained prior to entering into any such subsequent transaction with any Related Party, in accordance with Regulation 22 of the InvIT Regulations.
- (vii). As a general rule, the Investment Manager must demonstrate to the Board 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 Board.
- (viii). The Investment Manager will maintain a register to record all Related Party Transactions entered into by the Trust and the basis on which they are entered into.
- (ix). The Investment Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by the Trust during each financial year, including a review of the implementation of the agreements, including any right of first offer or right of first refusal arrangements, to acquire assets from the Sponsor.
- (x). The Board shall review at least quarterly in each financial year the Related Party Transactions entered into during such quarter to ascertain that the guidelines and procedures established to monitor the Related Party Transactions have been complied with.
- (xi). The Investment Manager shall ensure that the profits from Related Party Transactions have arisen from legitimate business transactions.
- (xii). While considering voting on a Related Party Transaction which requires approval of the Unitholders, voting by any person who is a related party in such transaction as well as Associate of such person(s) shall not be considered on the specific issue.

E. Potential Conflict of Interest

- (i). Subject to applicable law and this Policy, all resolutions in writing of the Board in relation to matters concerning related party transactions of the Trust must be approved by a majority of the Directors.
- (ii). Where matters concerning the 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 this Policy.
- (iii). While acquiring assets in the future from the Sponsor, the Investment Manager will maintain a register of all opportunities and transactions arising from the implementation of the agreements to acquire assets from the Sponsor.
- (iv). As part of its review of the internal audit reports at least quarterly in each financial year, the Board will review the internal audit reports of the implementation of the agreements to acquire assets from the Sponsor to ensure compliance. The review will include an examination of supporting documents and such other data deemed necessary to the Board.

F. 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 such time as may be prescribed in the InvIT Regulations and applicable law.
 - (ii). Related Party Transactions shall be disclosed: (a) in the offer document with respect to any such transactions entered into prior to the offer of units and any such proposed transactions subsequent to the offer; and (b) to the stock exchanges and the Unitholders periodically, in accordance with the InvIT Regulations and the agreements to be 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 accordance with 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 five percent of value of the assets of the Trust.
- G. Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable law, including any amendment to the InvIT Regulations, without any action from the Investment Manager or approval of the Unitholders of the Trust.

Adopted by the board of directors of POWERGRID Unchahar Transmission Limited on behalf of the Trust on January 21, 2021.
