



Shrem Infra Investment Manager Private Limited

(formerly known Shrem Financial Private Limited)

(Investment Manager to Shrem InvIT)

POLICY ON QUALIFICATIONS AND CRITERIA FOR APPOINTMENT OF UNITHOLDERS NOMINEE DIRECTORS ON THE BOARD OF SHREM INFRA INVESTMENT MANAGER PRIVATE LIMITED (FORMERLY, SHREM FINANCIAL PRIVATE LIMITED)

1. PREAMBLE

- 1.1. In accordance with Regulation 4(2)(h) of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time ("**InvIT Regulations**"), the Eligible Unitholders (as defined below) of the Shrem InvIT ("**Trust**") have been granted a right to appoint a nominee director on the board of directors ("**Board**") of Shrem Infra Investment Manager Private Limited (formerly, Shrem Financial Private Limited) ("**Company**" or "**IM**" or "**Investment Manager**").
- 1.2. In furtherance to the above, the Securities and Exchange Board of India ("**SEBI**") by way of its circular bearing reference no. SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 dated September 11, 2023 ("**InvIT Circular**") has prescribed for, *inter alia*, the nomination process and eligibility criteria for the Eligible Unitholders as well as for the Unitholder Nominee Directors (as defined below).
- 1.3. The Company, acting in its capacity as the investment manager to the Trust is required to formulate and adopt a policy providing for qualifications, criteria for appointment, and evaluation parameters of individuals nominated for Unitholder Nominee Director. Accordingly, the Board has formulated this policy which shall prescribe requisite procedures and guidelines for, *inter alia*, the appointment of Unitholder Nominee Directors and the criteria for evaluation of the individuals nominated as Unitholder Nominee Directors.

2. DEFINITIONS

- a) "**Act**" means the Companies Act, 2013 and the rules framed thereunder, as amended from time to time.
- b) "**Applicable Law**" shall mean the laws having jurisdiction over the matter in question, including all applicable statutes, enactments, acts of legislature, ordinances, rules, bye-laws, regulations, notifications, decrees, arbitral awards, consents, directions, directives, orders or regulations or other governmental or regulatory restrictions or conditions, or any similar form of decision of, or determination by, any governmental authority, including SEBI, whether in effect as of the date of this policy or thereafter, including but not limited to the Act, InvIT Regulations and Listing Regulations.
- c) "**Board**" means the board of directors of the Company.
- d) "**Company**" or "**Investment Manager**" or "**IM**" means Shrem Infra Investment Manager Private Limited (formerly, Shrem Financial Private Limited).
- e) "**Eligible Unitholder(s)**" shall mean ordinary unitholder(s) holding ten (10) per cent or more of the total outstanding units of the Trust, either individually or collectively.
- f) "**InvIT Regulations**" means Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, read with the circulars, clarifications, guidelines and notifications issued thereunder, as amended from time to time.



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- g) “**Listing Regulations**” shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- h) “**Committee**” or “**NRC**” shall mean the nomination and remuneration committee of the Board of the Investment Manager.
- i) “**Remuneration**” means any money or its equivalent given or passed to any person for services rendered by them and includes perquisites as defined under the Income-tax Act, 1961.
- j) “**Sponsor**” means Shrem Infra Structure Private Limited.
- k) “**Trust**” means Shrem InvIT.
- l) “**Trustee**” means Axis Trustee Services Limited.
- m) “**Unitholder(s)**” shall mean unitholder holding ordinary units of the Trust.
- n) “**Unitholder Nominee Director**” shall mean a non-independent director nominated by Eligible Unitholder(s) on the Board of the Investment Manager.

The terms that have not been defined in this Policy shall have the same meaning assigned to them in the InvIT Regulations, Listing Regulations, Act and/or any other act or regulation as may be applicable for the time being in force and as and when it is amended from time to time.

3. SCOPE

This Policy applies to the Eligible Unitholders of the Trust and Unitholder Nominee Directors of the Investment Manager.

4. QUALIFICATIONS AND ELIGIBILITY CRITERIA FOR THE UNITHOLDER NOMINEE DIRECTOR

The Eligible Unitholder(s) shall be entitled to nominate only one Unitholder Nominee Director. However, if the right to nominate one or more directors on the Board of the Investment Manager is available to any entity (or to an associate of such entity) in the capacity of shareholder of the Investment Manager or lender to the Investment Manager or the Trust (or its holding companies or special purpose vehicles), then such entity in its capacity as Unitholder, shall not be entitled to nominate or participate in the nomination of a Unitholder Nominee Director.

If the unitholding of more than one Unitholder is aggregated for the purpose of qualifying as Eligible Unitholder(s) to exercise the right to nominate a Unitholder Nominee Director, then such Unitholders shall not be eligible to participate in any other group of Eligible Unitholder(s).

The following eligibility requirements should be fulfilled by the candidates proposed to be considered for appointment as Unitholder Nominee Directors:

A. **Basic Criteria:**

- i. The person must have minimum 25 years of experience.
and
- ii. The person must have previous experience of at least three years as:



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- a. Board Member of a Schedule Commercial Bank, NSE or BSE; or
- b. An Official of SEBI/ RBI not below the designation of Chief General Manager; or
- c. CIO/CEO of Qualified Institutional Buyer with AUM in excess of Enterprise Value of InvIT; or
- d. Executive Director/Managing Director of Infrastructure Company having turnover equivalent or more of the Trust.

B. Specific Skill:

- i. The person should possess specific skills in areas such as, finance, infrastructure, investments, legal, public relations, leadership, and human resource development.
- ii. The person should have an ability to provide informed and thoughtful counsel and should be able to act as a mature advisor.
- iii. The person should be able to exercise his/her responsibilities in a bona fide manner and in the best interest of the Trust.

C. Positive Attributes:

- i. The person must possess the highest standard of personal and professional integrity, honesty, ethical behaviour, reputation, and fairness.
- ii. The person should be committed to a culture of transparency and open communication at the Board level and throughout the Company.
- iii. The person should be able to exercise his/her responsibilities in a bona fide manner and in the best interest of the Trust.

D. Fit and Proper:

The person should not incur any of the following disqualifications as specified under Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, as amended from time to time:

- i. Criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 (2of 1974) has been filed against such person by the SEBI and which is pending;
- ii. charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending;
- iii. an order of restraint, prohibition or debarment has been passed against such person by the SEBI or any other regulatory authority or enforcement agency in any matter concerning securities laws or financial markets and such order is in force;
- iv. recovery proceedings have been initiated by the SEBI against such person and are pending.



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- v. an order of conviction has been passed against such person by a court for any offence involving moral turpitude.
- vi. any winding up proceedings have been initiated or an order for winding up has been passed against such person;
- vii. such person has been declared insolvent and not discharged;
- viii. such person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
- ix. such person has been categorized as a willful defaulter;
- x. such person has been declared a fugitive economic offender; or
- xi. any other disqualification as may be specified by the SEBI from time to time.

E. Other Mandatory Criteria:

- i. The person should not be a wilful 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.
- ii. 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.
- iii. The person is not debarred from accessing the capital markets or restrained from buying, selling, or dealing in securities under any order or direction passed by SEBI or any other regulatory authority or court/ tribunal in India or abroad.
- iv. 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.

Further, the director so nominated shall recuse from voting on any transaction where such Unitholder Nominee Director or associate of such Unitholder Nominee Director or the Unitholder(s) who nominated such nominee director or associate of such Unitholder is a party.

5. NOMINATION PROCESS

A. Process for first time nomination after issuance of the InvIT Circular

- i. The IM shall send a written intimation to all the Unitholders within ten days from September 30, 2023, requesting them to inform the IM if they wish to exercise the right to nominate a Unitholder Nominee Director.



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- ii. Thereafter, the Eligible Unitholder(s) who wish to exercise this right shall inform the IM through a written notice of their proposed candidate for the Unitholder Nominee Director along with the following details within ten days of receipt of the intimation from the Investment Manager:
- Name of the candidate;
 - Director identification number of the candidate;
 - A brief profile of the candidate, including age, educational qualifications, professional qualifications, nationality, occupation, address, experience in the sector and sub-sector in which the Trust operates and directorship in other entities, together with back-up documents;
 - Details of any outstanding criminal action, regulatory action or material civil litigation against the candidate;
 - Details required under the Companies Act, 2013 to facilitate the Investment Manager for filing of e-Form DIR-12 with Registrar of Companies;
 - Confirmations in relation to eligibility of the candidate as set out in paragraph 4 of this Policy;
 - List of identified associates of the proposed candidate along with the associates of the nominating Eligible Unitholder(s);
 - Name, demat account details and unitholding of the Eligible Unitholder; and
 - Acknowledgement from the Eligible Unitholders that their unitholding shall be maintained at least ten percent of the total outstanding Units of the Trust, failing which they shall lose the right to have their Unitholder Nominee Director on the Board of the Investment Manager.

It is hereby clarified that if multiple Unitholders are aggregating their unitholding for the purpose of nomination right then such notice shall also 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 Unitholders.

- iii. The eligibility of all proposed Unitholder Nominee Directors shall be confirmed by the IM, based on the evaluation done by the NRC and/or the Board (which may include a physical or virtual interaction of the proposed Unitholder Nominee Director with the NRC/ Board) within ten days of receipt of notice from Eligible Unitholder(s).
- iv. Once the eligibility of a Unitholder Nominee Director is confirmed, the IM shall take necessary steps to complete the appointment of such director on the Board within thirty days from the date of such confirmation. The IM shall ensure that the appointment of the Unitholder Nominee Director complies with the requirements with respect to the composition of the board of directors of the IM under the InvIT Regulations and other applicable laws.
- v. Further, if the candidate proposed is not eligible or not found suitable based on the evaluation done by the NRC and/or the Board of the IM in line with this Policy, the reasons shall be recorded in writing and shall be communicated by the IM to the Eligible Unitholder(s) within ten days of receipt of notice from Eligible Unitholder(s). In such case, the Eligible Unitholder(s) may submit nomination of another candidate within a period of ten days from the receipt of such communication from the IM.

B. Process for subsequent nomination by the Unitholders on annual basis

- i. The IM shall send a written intimation to all Unitholders on their email address(es) registered either with the IM or with any depository, within ten 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.
- ii. The Eligible Unitholder(s) who wish to exercise this right shall inform the IM through a written notice within ten days of receipt of the intimation from the IM. The eligibility of the Eligible Unitholder(s) shall be based on the unitholding pattern of the Trust as on March 31st of the financial year.
- iii. The process mentioned in paragraph 5A (for first time nomination) shall apply, *mutatis mutandis*, in regard to the notice by Eligible Unitholder(s) to the Investment Manager and for appointment of the Unitholder Nominee Director.
- iv. If any Unitholder(s) acquires/holds units of the prescribed threshold of ten percent unitholding or more during a particular financial year, then such Unitholder(s) shall be entitled to exercise the nomination right only in the following financial year as per the process mentioned in this Policy.

6. EVALUATION PARAMETERS

The Nomination and Remuneration Committee (“NRC”) or the Board (except the director getting evaluated) shall evaluate the performance of every Unitholder Nominee Director. Performance evaluation should be carried out at least once a year. [While evaluating the performance of the Unitholder Nominee Directors, the following parameters shall be considered:

- i. Attendance and pro-active participation at the Board / committee meetings;
- ii. Time commitment;
- iii. Contribution to strategic decision making;
- iv. Fulfilment of functions and responsibilities;
- v. Effective deployment of knowledge and expertise;
- vi. Review of risk assessment and risk mitigation;
- vii. Review of financial statements, business performance;
- viii. Integrity and maintaining confidentiality;
- ix. Independence of behaviour and judgment;
- x. Teamwork;
- xi. Compliance with requirements prescribed in paragraph 4 of this Policy; and
- xii. Such other parameters as may be deemed appropriate.

Based on the above parameters, the Committee shall undertake the evaluation process of Unitholder Nominee Directors and the final evaluation shall be placed before the NRC/Board for its noting.

In addition to the above, the Unitholder Nominee Directors shall also be subjected to the formal annual evaluation to be done by the NRC and/or Board and/or independent directors of the IM under InvIT Regulations, Listing Regulations and the Act.

7. REPORTING AND MONITORING

The IM shall within ten (10) days from the end of each calendar month, review whether the Eligible Unitholder(s) who have exercised the board nomination right, continue to have/hold the required



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number of units of the Trust and make a report of the same which shall be submitted to the Trustee of Trust.

8. GROUNDS FOR DISCONTINUATION OF UNITHOLDER NOMINEE DIRECTOR

A Unitholder Nominee Director shall continue to remain on the Board of the Investment Manager unless:

- i. the nomination is withdrawn by Eligible Unitholder(s),
- ii. change in the Unitholder Nominee Director is requested by Eligible Unitholder(s),
- iii. the unitholding of Eligible Unitholder(s) falls below the required threshold consequent to which the Unitholder Nominee Director resigns/ steps down from the Board of the Investment Manager,
- iv. the Unitholder Nominee Director is unable to serve or resigns or is removed from the Board for any reason to be recorded in writing,
- v. the Unitholder Nominee Director is unable to meet the requirements prescribed in paragraph 4 of this Policy and the NRC/ Board recommends the removal of such director, or
- vi. if the Unitholder Nominee Director is disqualified and is required to vacate the office under the provisions of the Act and the InvIT Regulations.

Withdrawal of nomination:

If an Eligible Unitholder or a group of Eligible Unitholders propose to withdraw their nomination for the Unitholder Nominee Director that has been appointed on the Board of Directors of the IM, then such Eligible Unitholder(s), or their authorized representatives, shall inform the IM and the Unitholder Nominee Director of the same, and the Unitholder Nominee Director shall resign/step down from the Board of Directors of the IM forthwith.

Change in Unitholder Nominee Director:

If an Eligible Unitholder or a group of Eligible Unitholders propose to change a Unitholder Nominee Director who has been appointed on the Board of Directors of the Investment Manager, then such Eligible Unitholder(s), or their authorized representatives, shall inform the Investment Manager of the proposed candidate in the manner set out in paragraph 5 of this Policy and then the IM shall evaluate the proposed candidate as mentioned above.

Vacation of office of a Unitholder Nominee Director:

- a. **Change in existing unitholding:** If at any time, the individual or collective unitholding of the Eligible Unitholder(s), who have nominated a Unitholder Nominee Director, falls below 10 per cent of the total outstanding units of the InvIT, then the Eligible Unitholder(s) shall immediately inform the IM within two (2) working days from such change and the Unitholder Nominee Director shall resign/step down from the Board of Directors of the IM within two (2) working days from such change.
- b. **Fresh issue of Units by Trust:** If at any time, the individual or collective unitholding of the Eligible Unitholder(s), who have nominated a Unitholder Nominee Director, falls below 10 per cent of the total outstanding units of the InvIT on account of fresh issuance of ordinary units by the InvIT, then the Eligible Unitholder(s) shall immediately inform the IM within two (2) working days from the date of allotment of fresh ordinary units and the Unitholder Nominee Director shall resign/step down from the Board of Directors of the IM within two (2) working days from such date of allotment.



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- c. Death or permanent disability of Nominee Director: In case of death or permanent disability of a Unitholder Nominee Director, the Eligible Unitholder(s) that nominated such Unitholder Nominee Director may propose another individual as a replacement in the manner described in paragraph 5 of this Policy.
- d. Removal by the IM: The Board of Directors (including the NRC) shall have the power to remove a Unitholder Nominee Director from office, for reasons to be recorded in writing, including, but not limited to, if the Unitholder Nominee Director ceases to meet the eligibility criteria as set out in paragraph 4 of this Policy or in the opinion of the Board and/or NRC, the performance evaluation as set out in paragraph 6 of this Policy of the said director by the Board/ NRC is not found satisfactory.

9. REMUNERATION OF UNITHOLDER NOMINEE DIRECTOR

The Unitholder Nominee Director may receive Remuneration, sitting fees, compensation, commission from the Company or the Trust, subject to approval of Board and requirements of Applicable Law including the Nomination and Remuneration Policy of the Trust.

However, the Unitholder Nominee Director shall not be entitled to any stock option of the Company or the Trust. They shall not be eligible to participate in any share-based payment schemes.

10. CONFLICT WITH APPLICABLE LAW

The Policy shall not contradict with the provisions of any Applicable Law. In case of any discrepancy, the provisions of Applicable Law shall prevail over the provisions of this Policy.

11. AMENDMENT

Any amendment or variation to this Policy shall be undertaken in compliance with the InvIT Regulations and other applicable law. Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable law, including any amendment to the InvIT Regulations, and the Listing Regulations, without any action from the Investment Manager or approval of the unitholders of the Trust.

Adopted by the board of directors of Shrem Infra Investment Manager Private Limited (formerly, Shrem Financial Private Limited) on 26th October, 2023.

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