

ENCAP INVESTMENT MANAGER PRIVATE LIMITED

(Formerly known as *Brookfield India Infrastructure Manager Private Limited*)

CIN: U67190MH2010PTC202800

Registered Office: Seawoods Grand Central, Tower-1, 3rd Level, C Wing - 301 to 304,
Sector 40, Seawoods Railway Station, Navi Mumbai, Thane, Maharashtra - 400706, India

Tel No.: 91 22 3501 8000 Email: compliance@pipelineinvit.com

DISTRIBUTIONS POLICY

1. Preamble

1.1. This Policy on distribution of the net distributable cash flows of Energy Infrastructure Trust (*Formerly known as India Infrastructure Trust*) (“**Trust**”) aims at formulating a structure for distribution of such Distributable Income to the Unitholders of the Trust.

This policy aims to outline the strategy and process in relation to Energy Infrastructure Trust which was adopted by the erstwhile Pipeline InvIT Committee of Encap Investment Manager Private Limited (*Formerly known as “Brookfield India Infrastructure Manager Private Limited”*), in its capacity as Investment Manager to the Trust on April 8, 2020 and further amended on October 27, 2021. Further, pursuant to the dissolution of the Pipeline InvIT Committee, the Board of Directors of the Company has adopted and approved this Policy at its meeting held on December 12, 2023 and as may be amended by the Board from time to time.

2. Definitions

2.1. **“Distributable Income”** shall mean the net distributable cash flows of the Trust, calculated in accordance with Clause 5.1(II) of this Policy.

2.2. **“InvIT Regulations”** shall mean SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time and circulars issued by the Securities and Exchange Board of India from time to time.

2.3. **“Management Fees”** shall mean the fee payable to the Investment Manager by the Trust for covering administrative costs for performing its duties.

2.4. **“Net Distributable Cash Flows”** shall mean the net distributable cash flows of the SPVs, calculated in accordance with Clause 5.1(I) of this Policy.

2.5. **“Policy”** shall mean this Distribution Policy, as amended from time to time.

2.6. **“SEBI”** shall mean Securities and Exchange Board of India

2.7. **“Trust Documents”** shall mean the Trust Deed, the Investment Management Agreement dated April 1, 2020, the Project Management Agreement, the SPV NCD Subscription Agreement, the Trust NCD DTD, the Shareholders’ Agreement, the Share Purchase Agreement, any other document, letter or agreement with respect to the Trust or the Units, executed for the purpose of the Trust, the offer documents and such other documents in connection therewith, as originally executed and amended, modified, supplemented or restated from time to time, together with the respective annexures, schedules and exhibits, if any.

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3. Interpretation

- 3.1. Capitalised terms used, but not defined herein, shall have the meaning ascribed to such term under the Trust Deed, other Trust Documents and SEBI InvIT Regulations, as the case may be.
- 3.2. In case of any inconsistency between the terms of the Trust Deed and this Policy, the terms of the Trust Deed shall prevail.

4. Distributable Income

- 4.1. Subject to the terms of the Trust Deed, the Trust shall declare and distribute not less than 90% of the Distributable Income to the Unitholders. The Trust shall distribute the available Distributable Income once every quarter in every financial year.
- 4.2. The Distributable Income shall be distributed by the Trustee within 5 (Five) working days from the record date of the Distributable Income by the Investment Manager, or such other timeline as may be prescribed under the SEBI InvIT Regulations. Such record date for the payment of distribution shall be two working days from the date of the declaration of distribution, excluding the date of declaration and the record date, or such other timeline as may be prescribed under the SEBI InvIT Regulations.
- 4.3. If the distribution is not made within 5 (five) working days from the record date of the Distributable Income, the Investment Manager shall be liable to pay interest to the Unitholders at the rate of 15% (fifteen per cent) per annum till the distribution is made, subject to the SEBI InvIT Regulations. Such interest shall not be recovered in the Management Fees of the Investment Manager or in the form of fee or any other form payable to the Investment Manager by the Trust.
- 4.4. The distribution shall be made in Indian Rupees and each Unitholder will receive its distribution in Indian Rupees.
- 4.5. Distribution shall be made *pro rata* to the Unitholding of each Unitholder and in accordance with the provisions of the Trust Documents and Applicable Law.
- 4.6. Distributions may be made in accordance with the provisions of the Trust Documents and Applicable Law.

5. Method of Calculation of Distributable Income

- 5.1. The net distributable cash flows of the Trust, Holdco and the SPV shall be calculated in accordance with the SEBI InvIT Regulations, any circular, notification or guidance issued thereunder and the Trust Documents. Presently, the Trust and the SPV propose to calculate the net distributable cash flows in the manner provided below:

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I. *Calculation of net distributable cash flows at Holdco/ SPV level:*

Description
Cash flow from operating activities as per Cash Flow Statement of Holdco/ SPV
Adjustments:-
Add: Cash Flows received from SPV's which represent distributions of NDCF computed as per relevant framework (<i>relevant in case of HoldCos</i>)
Description
Add: Treasury income / income from investing activities (interest income received from FD, tax refund, any other income in the nature of interest, profit on sale of Mutual funds, investments, assets etc., dividend income etc., excluding any Ind AS adjustments. Further clarified that these amounts will be considered on a cash receipt basis)
Add: Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs or Investment Entity adjusted for the following: <ul style="list-style-type: none">• Applicable capital gains and other taxes• Related debts settled or due to be settled from sale proceeds• Directly attributable transaction costs• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations
Add: Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPV or Investment Entity not distributed pursuant to an earlier plan to re- invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently.
Less: Finance cost on Borrowings as per profit and loss account excluding finance cost on any shareholder debt / loan from trust. The amortization of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid
Less: Debt repayment (to include principal repayments as per scheduled EMI's except if refinanced through new debt including overdraft facilities and to exclude any debt repayments / debt refinanced through new debt, in any form or equity raise as well as repayment of any shareholder debt / loan from Trust)

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Less: any reserve required to be created under the terms of, or pursuant to the obligations arising in accordance with, any:

- (i). loan agreement entered with banks / financial institution from whom the Trust or any of its SPVs/ HoldCos have availed debt, or
- (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Trust or any of its SPVs/ HoldCos, or
- (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Trust or any of its SPVs/ HoldCos,
- (iv). agreement pursuant to which the SPV/ HoldCo operates or owns the infrastructure asset, or generates revenue or cashflows from such asset (such as, concession agreement, transmission services agreement, power purchase agreement, lease agreement, and any other agreement of a like nature, by whatever name called); or
- (v). statutory, judicial, regulatory, or governmental stipulations;

Less: any capital expenditure on existing assets owned / leased by the SPV or Holdco, to the extent not funded by debt / equity or from reserves created in the earlier years

Net Distributable Cash Flows for Holdco/ SPV

For avoidance of doubt, it is clarified that no item identified in Table I above shall be counted more than once in the event that such item qualifies in more than one of the line items identified in Table I above.

II. *Calculation of net distributable cash flows at the consolidated Trust level:*

Description
Cashflows from operating activities of the Trust
Add: Cash flows received from SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework
Add: Treasury income / income from investing activities of the Trust (interest income received from FD, any investment entities as defined in Regulation 18(5), tax refund, any other income in the nature of interest, profit on sale of Mutual funds, investments, assets etc., dividend income etc., excluding any Ind AS adjustments. Further clarified that these amounts will be considered on a cash receipt basis)
Add: Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs/Holdcos or Investment Entity adjusted for the following: <ul style="list-style-type: none">• Applicable capital gains and other taxes• Related debts settled or due to be settled from sale proceeds• Directly attributable transaction costs• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations
Add: Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPVs/ Hold cos or Investment Entity not distributed pursuant to an earlier plan to re-invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently
Less: Finance cost on Borrowings as per Profit and Loss Account. However, amortisation of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid

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Less: Debt repayment at Trust level (to include principal repayments as per scheduled EMI's except if refinanced through new debt including overdraft facilities and to exclude any debt repayments / debt refinanced through new debt in any form or funds raised through issuance of units)
Less: any reserve required to be created under the terms of, or pursuant to the obligations arising in accordance with, any: (i). loan agreement entered with financial institution, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Trust or any of its SPVs/ HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Trust or any of its SPVs/ HoldCos, or (iv). agreement pursuant to which the Trust operates or owns the infrastructure asset, or generates revenue or cashflows from such asset (such as, concession agreement, transmission services agreement, power purchase agreement, lease agreement, and any other agreement of a like nature, by whatever name called); or (v). statutory, judicial, regulatory, or governmental stipulations;
Less: any capital expenditure on existing assets owned / leased by the InvIT, to the extent not funded by debt / equity or from contractual reserves created in the earlier years
Net Distributable Cash Flows at Trust Level

For the avoidance of doubt, it is clarified that no item identified in Table II above shall be counted more than once in the event that such item qualifies in more than one of the line items identified in Table II above.

Notes:

1. The NDCF computed at SPV level for a particular period shall be added under this line item, even if the actual cashflows from the SPV to the Trust has taken place post that particular period, but before finalization and adoption of accounts of the Trust.
2. The Trust retains the option to distribute any surplus amounts, unless such surplus is required to create reserves for any subsequent period. However, any reserve created out of debt funds at the time of availing debt as per the terms of the financing documents shall not be reduced.
3. The option to retain 10% distribution under Regulation 18(6) shall be computed by taking together the retention done at Holdco, SPV level and Trust level.

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4. Surplus cash available in Trust / HoldCos/ SPVs due to:

- a) 10% of NDCF withheld in line with the SEBI InvIT Regulations in any earlier year or half year or;
- b) such surplus being available in a new HoldCo/ SPV on acquisition of such SPV/Holdco by the Trust; or
- c) any other reason, excluding if such surplus cash is available due to any debt raise, could be considered for distribution by the SPV/Holdco to the HoldCo/ Trust, or by the Trust to its Unitholders in part or in full. Also, such distribution of surplus funds shall be separately disclosed after the NDCF computation for the respective period.

Provided that with regard to the point 4(b) above, if an acquisition of such SPV was funded by external debt, then surplus cash available with such SPV should first be used to repay such external debt. After such debt repayment, remaining surplus, if any, can be used for distribution.

5. Any restricted cash (disclosed as such) should not be considered for NDCF computation by the SPV or the Trust (e.g. unspent CSR balance for any year deposited in a separate account as per Companies Act, 2013 which will be utilized in subsequent years, DSRA reserve, major maintenance reserve etc.).
6. The Trust or SPVs shall not distribute any cashflows by obtaining external debt, except to the extent clarified in note 2 and 7 (this will exclude any working capital / OD facilities obtained by Trust/ SPVs as part of treasury management/ working capital purposes as long as they are squared off within the quarter).
7. Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs or investment entities adjusted for transaction costs or repayment of debt taken for such assets or other items as mentioned above which is intended to be reinvested or planned to be reinvested as per Regulation 18(7) of SEBI InvIT Regulations, could be temporarily parked in overdraft accounts or used to repay any additional/ unrelated debt. Further if such proceeds are not intended to be reinvested as per the timeline provided in the SEBI InvIT Regulations and such net proceeds are to be distributed back to Unitholders, then redrawing such temporarily parked funds to distribute such net proceeds will not be considered as a contravention of note 6 above.
8. Cash flows received from Holdcos/SPVs / Investment Entities which represent distributions of NDCF computed as per the relevant framework at the Trust and/ or HoldCo level for further distribution to Unitholders shall exclude any such cash flows used by the Trust and/or HoldCo, for onward lending to any other SPVs / Investment Entities/ HoldCo to meet operational/ interest expenses or debt servicing of such entities.
9. Capital expenditure shall include amounts incurred and paid towards asset enhancement and are capitalized to asset value in the financial statements including lease payments. It is further clarified that existing assets as referred to in this line item includes any new structure/ building/ other infrastructure constructed on an existing infrastructure assets which is already a part of the Trust.

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10. Debt repayment at Trust level will not be reduced from NDCF to the extent such debt is refinanced at the HoldCo/SPV level and such proceeds from refinancing have been transferred by the HoldCo/SPV to the Trust for such debt repayment.

Similarly, debt repayment at HoldCo/SPV level will not be reduced from NDCF to the extent such debt is refinanced at the Trust level and such proceeds from refinancing have been transferred by the Trust to the HoldCo/SPV for such debt repayment.

11. Investment Manager of the Trust is required to ensure the following while making distributions:

- a) The period of making distribution shall be followed consistently and the same is a part of this Policy which should be disclosed in the offer document, annual report and the website of the Trust.
- b) The distribution policy should prescribe the frequency of the distribution. For each distribution, it shall be ensured that cash flows from all assets, whether held by the Trust or any of the underlying SPVs or HoldCos, are being distributed together.
- c) The first distribution (whether monthly/quarterly/half-yearly, etc.) out of the NDCF computed for a financial year (or period thereof) should be minimum 90% / 100% as set out under the SEBI InvIT Regulations. Thereafter, minimum distribution requirement should be met on a cumulative basis for the subsequent distributions out of the NDCF for such financial year.
- d) In case of any change in this Policy other than regulatory changes, unitholder approval shall be required where votes cast in favour of the resolution are more than 50% of the total votes cast.

6. Distribution on Disposition

6.1. Subject to Applicable Law and in accordance with the Trust Documents, the Trustee in consultation with the Investment Manager, shall distribute the Disposition Proceeds provided that such Disposition Proceeds are not used for Investments in any Infrastructure Project in which the Trust is permitted to invest, acquire or set up in accordance with SEBI InvIT Regulations, or in any Project Entity, within a period of 1 (one) year of such Disposition.

7. In-specie Distribution

7.1. Subject to the provisions of Applicable Law and consent of the Unitholders as per the Trust Deed, the Investment Manager, may anytime during the life of the Trust make in-specie distributions of the assets of the Trust on such terms and conditions as set out in the Trust Documents.

8. Deduction of Taxes

8.1. The Trustee may in consultation with the Investment Manager and in accordance with the Trust Deed, make any deduction of taxes, cess, fees, charges, assessments, registration fees and duties that may be required to be deducted or withheld under Applicable Law before making any payment of Distributable Income to any Unitholder, or in connection with any documents executed in that regard.

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- 8.2. Any tax paid by the Trust on behalf of the Unitholder or tax deducted on investments made (including temporary investments) shall be considered to be towards amounts distributed as Disposition Proceeds in paragraph 6 above.

9. Distribution on Dissolution

- 9.1. In the event of dissolution or winding up of the Trust, all of the InvIT Assets or the proceeds therefrom shall be distributed or used to pay the debts, liabilities and obligations of the Trust in accordance with the order of preference set out under the Trust Deed and Applicable Law.

10. Conflict with Law

- 10.1. This 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.
- 10.2. Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable laws, including any amendment to the SEBI InvIT Regulations, without any action from the Investment Manager or approval of the Unitholders of the Trust. In case of any change in this Policy other than regulatory changes, unitholder approval shall be required where votes cast in favour of the resolution are more than 50% of the total votes cast.
