DISTRIBUTION POLICY OF CUBE HIGHWAYS TRUST

A. **Preamble**

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 (the "**InvIT Regulations**"), prescribes certain conditions in relation to distribution to be made to the unitholders of an infrastructure investment trust. The Distribution Policy (the "**Policy**"), aims to outline the process and procedure for distribution in relation to Cube Highways Trust (the "**Trust**"). Accordingly, Cube Highways Fund Advisors Private Limited (the "**Investment Manager**"), the investment manager to the Trust appointed pursuant to the amended and restated investment management agreement dated May 30, 2022 entered into between Axis Trustee Services Limited and the Investment Manager (the "**Investment Management Agreement**"), has formulated this Policy.

B. The terms (i) "**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 the Securities and Exchange Board of India, whether in effect as of the date of this policy or thereafter, including but not limited to the InvIT Regulations; and (ii) "**Tax**", "**Taxes**" or "**Taxation**" means all forms of direct and indirect taxes, duties, levies, imposts, including without limitation corporate income tax, withholding tax, minimum alternate tax, sales tax, goods & services tax, value added tax, dividend distribution tax, customs and excise duties, service tax, capital gains tax and other transaction taxes, real estate taxes, registration taxes, transfer taxes, environmental taxes, other municipal taxes and duties and any other type of surcharge, cess, taxes or duties, and any interest, penalties, surcharges or fines relating thereto.

C. The net distributable cash flows of the Trust (the "**Distributable Income**") shall be based on the cash flows generated by it including from the underlying operations undertaken by the special purpose vehicles (together, the "**SPVs**") and any holding companies (such holding companies together, the "**Holding Companies**" and together with the SPVs, the "**Portfolio Assets**") held by the Trust and any return of capital in accordance with this Policy.

D. The Investment Manager shall declare the distributions out of the monies received by the Trust which shall be in *pro rata* to the unitholding of each Unitholder (*defined below*), in accordance with the provisions of the InvIT Documents (*as defined in the Investment Management Agreement*) and Applicable Law

E. In terms of the InvIT Regulations, the SPVs shall distribute not less than 90% of each of their net distributable cash flows to the Trust or a Holding Company, as applicable (net of any applicable Taxes including withholding Taxes), in the proportion of its holding in the SPV, subject to applicable provisions of the Companies Act, 2013, as amended or Limited Liability Partnership Act, 2008, as amended.

F. With regard to distribution of net distributable cash flows by the Holding Companies to the Trust, 100% of cash flows received by the Holding Companies from underlying SPVs shall be distributed to the Trust (net of any expenses and applicable Taxes including withholding Taxes) and with respect to the cash flows generated by a Holding Company on its own, not less than 90% of such net

distributable cash flows shall be distributed by the Holding Company to the Trust (net of applicable Taxes including withholding Taxes).

G. In the event (i) any infrastructure asset is sold by the Trust or any of the Portfolio Assets; or (ii) the equity shares or interest in any Portfolio Asset is sold by the Trust, then in accordance with the InvIT Regulations:

1. if the Trust (acting through the Investment Manager) proposes to re-invest the sales proceeds into any other road infrastructure asset, it shall not be required to distribute any sales proceeds to the Trust or the Unitholders (as defined below); and

2. if the Trust (acting through the Investment Manager) proposes not to invest the sales proceeds into any other road infrastructure asset within a period of one year or any other time period specified under the InvIT Regulations, it shall be required to distribute the same in accordance with the InvIT Regulations.

H. The Trust shall distribute at least 90% with an endeavor to distribute 100% of the Distributable Income to its unitholders holding Ordinary Units (the "**Unitholders**"). Such distribution and the distributions mentioned in paragraph D and E shall be declared and made not less than once every financial year, with an endeavor to distribute at least once every half year or quarter of a financial year. In accordance with the InvIT Regulations, such distributions by the Trust shall be made no later than 15 days from the date of such declarations. The distribution, when made, shall be made in Indian Rupees.

I. All distributions to the Unitholders shall be made in compliance with the InvIT Regulations, the Income Tax Act, 1961 and other Applicable Law. The actual amount received by the Unitholders will be subject to Taxes and other statutory deductions as applicable. The Investment Manager shall be responsible for deducting all types of Taxes on all payment made by Investment Manager and deposit with the relevant governmental agency.

J. For the purposes of certainty during the period of the projections disclosed in the offer document in relation to the initial offer of Ordinary Units by the Trust and as no regulatory framework has been prescribed for the redemption, buy back of units of the Trust or reduction of unit capital or any other similar mode, notwithstanding anything contained in this distribution policy, no distributions shall be made to the Unitholders by way of redemption or buy back of units or return of unit capital, reduction of unit capital or any other similar mode, prior to a period of 4 years from the date of allotment of Ordinary Units pursuant to the Initial Offer.

K. The Distributable Income and the net distributable cash flows of any SPV shall be calculated in accordance with the InvIT Regulations. The indicative method of calculating net distributable cash flows for the SPV and the Trust is provided below:

I. Calculation of net distributable cash flows at the SPV level:

Description
Profit after tax as per profit and loss account (standalone) (A)
Add: Depreciation, impairment and amortisation as per profit and loss account. In case of impairment reversal, same needs to be deducted from profit and loss.
Add/less: Loss/gain on sale / transfer / disposal / liquidation of infrastructure assets, investments, other assets of the SPVs (if applicable)

Description
Add: Proceeds from sale / transfer / disposal / liquidation of infrastructure assets, investments, other assets of the SPVs (if applicable), adjusted for the following: • related debts settled or due to be settled; • directly attributable transaction costs; • proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations.
Add: Additional borrowings (including debentures / other securities) (external as well as borrowings from Trust) adjusted for the following: • any prepayment of borrowings if deemed necessary by the Investment Manager; • any identified end use as specified in the lender agreement or as deemed necessary by the Investment Manager
Less: Repayment of accrued interest/principal component of senior and additional debt as approved by NHAI
Add: Amount invested by the Trust in the SPV.
Add: Any amount received from toll or annuities not recognised as income for the purposes of working out the Profit after tax
Less: Any amount payable to third parties as deemed necessary by the Investment Manager, including but not limited to NHAI, any engineering, procurement and construction contractors, if such amount has not already been considered for the determination of profit after tax
Add: Interest (or other similar payments) on borrowings (loan, debentures or other instruments) provided by the Trust
Add: Amount received from settlement of any claims. including from NHAI or any engineering, procurement and construction contractors, to the extent not already considered in profit after tax and adjusted for (i) any amount payable to any other group entity / third party as per their contractual agreement(s) and/or (ii) any tax obligation arising from the receipt of such claims
Less: Capital expenditure (if any)
Less: Any amount retained for future earnout payments to Walayar Vadakkencherry Expressways Private Limited, DA Toll Road Private Limited, Farakka Raiganj Highways Limited and Ghaziabad Aligarh Expressway Private Limited as per their contractual agreement(s)
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items), including but not limited to • any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value; • interest cost as per effective interest rate method (difference between accrued and actual paid) • deferred tax, lease rents recognised on a straight line basis; • unwinding of interest cost on interest free loan or other debentures; • portion reserve for major maintenance which has not been accounted for in profit and loss statement; • reserve for debenture/ loan redemption.
Less: Net cash set aside (i) to comply with reserve requirements under the loan agreements (including but not limited to DSRA and MMRA) or as decided by the IM Board from time to time, adjusted for amount released from DSRA/MMRA or any other reserve in lieu of providing bank guarantee, and/or (ii) on a prudential basis for repayments of borrowings etc., as appropriate.
Add/Less: Other adjustments, including but not limited to net changes in security deposits, working capital, deferred / prepaid income or deferred / prepaid expenditure, at the SPV.

Description
Less: Any cash reserve deemed necessary by the board of directors of the Investment manager ("**IM Board**") for expenses which may be due in the next financial year but for which there may not be commensurate cash available by the date such expenses become due
Less: Any other adjustment to be undertaken by the Investment Manager to ensure that there is no double counting of the same item for the above calculations
Total Adjustments (B)
Net Distributable Cash Flows (C)=(A+B)

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

Description
Cash flows received from the SPVs in the form of interest (net of applicable taxes, if any)
Add: Cash flows received from the SPVs in the form of dividend (net of applicable taxes, if any)
Add: Cash flows received from the SPVs towards the repayment of the debt issued to the SPVs by the Trust or redemption of debentures issued by the SPVs to the Trust
Add: Proceeds from the SPVs for any capital reduction / buy back / redemption subject to Applicable Laws (net of applicable Taxes, if any)
Add: Proceeds from sale or transfer or liquidation or redemption or otherwise realization of investments, assets or shares of/interest in SPVs (net of applicable taxes and / or directly attributable transaction costs , if any)
Add: Proceeds from sale of assets of the SPVs not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently
Add: Any other income accruing at the Trust level and not captured above, including but not limited to interest / return on surplus cash invested by the Trust
Total cash inflow at the Trust level (A)
Less: Any payment of fees, interest and expense incurred at the Trust level, including but not limited to the Investment Manager fees, security trustee fees, annual fees for traffic, technical and other studies and fees for annual valuation.
Less: Any capital expenditure at any SPV level where sufficient cash is not available
Less: Costs/retention associated with sale of assets of the SPVs, including transaction costs paid on sale of the assets of the SPVs
Add: Additional borrowings (including debentures / other securities) adjusted for the following: • any prepayment of borrowings if deemed necessary by the Investment Manager; • any identified end use as specified in the lender agreement or as deemed necessary by the Investment Manager.
Less: Repayment of external debt
Less: Income tax (if applicable) at the standalone Trust Level (including capital gains taxes on sale of assets / share in SPVs / other investments) (net of any tax refunds)
Less: Related debts settled or due to be settled from sale proceeds of SPVs
Less: Investment in shares or debentures of SPVs or other similar investments or lending to SPVs
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations
Less: Net cash set aside (i) to comply with reserve requirements under the loan agreements (including but not limited to DSRA and MMRA) adjusted for amount released from DSRA/MMRA or any other reserve in lieu of providing bank guarantee, and/or (ii) on a prudential basis for repayments of borrowings etc., as appropriate.

Description
Less: Any cash reserve deemed necessary by the IM Board for expenses which may be due but for which there may not be commensurate cash available by the date such expenses become due
Less: Any other adjustment to be undertaken by the Investment Manager to ensure that there is no double counting of the same item for the above calculations
Total Adjustments (B)
Net Distributable Cash Flows (C) = (A+B)

L. It is clarified that, for the purpose of calculation of the Distributable Income, the cash flows of the Trust shall be classified in two parts:

1. dividend, interest, treasury income and capital gains of the Trust ("**Income Bucket A**"). All expenditures of the Trust (including, amongst others interest expenses and fees payable to the Investment Manager, the "**Expenditures**"), shall be paid out of Income Bucket A, proportionately towards various income streams; and

2. capital repayments to the Trust ("**Income Bucket B**"). Any capital outflows (including, amongst other, principal repayments by the Trust on its borrowings and capital infusions into the SPVs, the "**Capital Outflows**") shall be paid out of Income Bucket B. In case, any expenses are attributable directly to this bucket, then the same can be reduced directly from this bucket .

In the event the cash flows in Income Bucket A are not sufficient to meet the Expenditures set out above, such Expenditures shall be paid of Income Bucket B. Similarly, in the event the cash flows in Income Bucket B are not sufficient to meet the Capital Outflows set out above, such Capital Outflows shall be paid of Income Bucket A. The Distributable Income calculated on basis of Income Bucket A shall be further classified as interest, dividend, gains, other income in the ratio of the inflows.

M. In terms of the InvIT Regulations, if the distribution is not made within 15 days of declaration, the Investment Manager shall be liable to pay interest to the Unitholders at the rate of 15% per annum or such other rate as may be specified under Applicable Law, until the distribution is made. Such interest shall not be recovered in the form of fees or any other form payable to the Investment Manager by the Trust.

N. It is clarified that unitholder holding Subordinate Units (*as defined in the InvIT Documents*) of the Trust shall not be entitled to any distribution rights or other economic rights in relation to their Subordinate Units.

O. 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.

P. Amendment

(i) Any amendment or variation to this Policy shall be undertaken by the board of directors of the Investment Manager, in compliance with Applicable Law

(ii) 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 Cube Highways Fund Advisors Private Limited on behalf of the Trust.