

NSE CLEARING LIMITED

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

1. TITLE

This policy shall be called 'Policy on materiality and dealing with Related Party Transactions'.

2. COMMENCEMENT

The revised Policy shall come into existence w.e.f. April 30, 2024 (i.e. the date of approval by the Board of Directors)

3. OBJECTIVE

Related party transactions have been one of the major areas of focus for the corporate governance reforms being initiated by the Indian Legislature.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013, [hereinafter referred to as “Act”] read with the rules made thereunder, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as “SEBI LODR Regulations”], as amended, require the companies to have enhanced transparency and due process for approval of the related party transactions.

One of such requirements is that companies are required to formulate a policy on materiality of related party transactions and also on dealing with related party transactions.

4. DEFINITIONS

Arm's length transaction means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Audit Committee means the audit committee of the Board of Directors of NSE Clearing Limited.

Board means the Board of Directors of NSE Clearing Limited

Company means NSE Clearing Limited

Material Modification means any variation / modification in any existing related party transaction / contract / arrangement, the financial effect of which is an increase in the value of the related party transaction / contract / arrangement by 10% or more of the value of such related party transaction.

Material Related Party Transaction- A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Policy means this policy, as amended from time-to-time.

Related Party in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Act and/or Regulation 2(1)(zb) of SEBI LODR Regulations.

Related party transaction as defined under the relevant provisions of the Act and / or the SEBI LODR Regulations, as amended, from time to time.

5. APPLICABILITY

The below mentioned approvals shall not be applicable to the following:

- a. Related Party Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and
- b. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

6. APPROVAL OF RELATED PARTY TRANSACTIONS

- (a) (i) All related party transactions and subsequent material modification shall require prior approval of the audit committee of the Company.

In case of Related Party Transaction to which the subsidiary of the Company is a party, but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

Further, prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR Regulations are applicable to such listed subsidiary.

(ii) The Audit Committee may grant omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 (3) of the SEBI LODR Regulations for Related Party Transactions which are in the ordinary course of business, arm's length basis and repetitive in nature.

Further, where the need for Related Party Transaction cannot be foreseen, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

The Audit Committee would review on a quarterly basis the aforesaid Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

The omnibus approval shall be valid for a period of one year and fresh approval would be obtained from the Audit Committee after the expiry of one year.

(b) Related Party Transaction which is not in the ordinary course of business and/or not on arm's length basis shall also require prior approval of the Board. Further, if the said transaction crosses threshold limit as prescribed under the Act, shall require approval of the Shareholder's in addition to approval of the Audit Committee and Board.

(c) All Material Related Party Transactions and Subsequent Material Modifications shall require prior approval of the shareholders.

Further, prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR Regulations are applicable to such listed subsidiary.

(d) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(e) No related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

(f) Only those members of the Audit Committee who are Independent Directors shall approve related party transactions.

7. AMENDMENTS / REVIEW

The Board of directors shall have the power to amend any of the provisions of this policy, substitute any of the provisions with a new provision or replace this policy entirely with a new policy.

The Policy shall be reviewed as and when required by the Board of Directors of the Company but at least annually.

8. INTERPRETATION

(a) Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Act or rules made thereunder, SEBI Act or rules and regulations made thereunder, Accounting Standards or any other relevant legislation/law applicable to the Company.

(b) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the audit committee and the decision of the audit committee in such a case shall be final. In interpreting such term/provision, the audit committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

(c) This policy is drawn in conformity with the provisions of the applicable laws and the Rules, Regulations laid down thereunder for the time being in force. However, if due to subsequent changes in the above laws or rules or regulations, as the case may be, any provision in this policy become inconsistent with such laws or rules or regulations, then the provisions of such laws or rules or regulations shall prevail over the provisions in this policy.