



POLICY ON RELATED PARTY TRANSACTIONS

[BASED ON THE REQUIREMENT OF REGULATION NO. 23 (1) OF THE LISTING
REGULATION AND OTHER APPLICABLE PROVISIONS]

[THIS POLICY WAS APPROVED IN THE 250TH MEETING OF THE BOARD OF DIRECTORS
OF NABARD HELD ON MARCH 28, 2023]:

**NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT**

ADDRESS: - PLOT C-24, G BLOCK, BANDRA KURLA COMPLEX,
BKC ROAD, BANDRA EAST, MUMBAI, MAHARASHTRA 400051

1. INTRODUCTION

- 1.1.** National Bank for Agriculture and Rural Development ('**NABARD**') is established under NABARD Act, 1981 ('**NABARD Act**') and governed by the provisions of NABARD Act. NABARD acts as providing and regulating credit and other facilities for the promotion and development of agriculture small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto. NABARD is an autonomous financial institution wholly owned by Government of India. NABARD is an 'All India Financial Institution' supervised by the Reserve Bank of India ('RBI').
- 1.2.** NABARD has listed its non-convertible securities and as a listed entity, NABARD need to adhere with the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and guidelines issued by SEBI. Regulation under SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 put an obligation on NABARD to formulate the "policy on related party transactions duly covering aspects of materiality of such transactions and also regarding dealing with such transactions. ('RPT Policy' or 'Policy')".
- 2. SCOPE:** The Policy is framed to address the matters pertaining to related party transactions threshold limit of materiality and other aspects as required under the Act, and any other laws and regulations as may be applicable to NABARD.

3. DEFINITIONS

"Associate"	means associate as defined under section 2 (6) ¹ of the Companies Act, 2015 or under applicable accounting standard.
"Subsidiary"	means a subsidiary as defined under regulation 2 (1) (zm) of the SEBI (LODR) regulations, 2015 inter alia as defined under section 2 (87) of the Companies Act, 2013.
"Audit Committee"	means the Audit Committee constituted by the Board or any amendment of it from time to time.
"Directors"	means appointed or elected or nominated members of the Board of director(s) of NABARD.
"Government Company(ies)"	means Government company as defined in sub section (45) of section 2 of the Companies Act, 2013

¹Section 2 (6) of the Companies Act, 2013 Associate: in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

¹²[Explanation. —For the purpose of this clause—

(a) The expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

“Key Managerial Personnel (KMPs)”

means the Chairman, Managing Director, Deputy Managing Directors, Chief Financial Officer and Company Secretary of NABARD, if any.

“Material Related Party Transaction(s)”

shall have the meaning as prescribed under provision to regulation no. 23 (1)² and regulation no 23 (1A)³ of SEBI (LODR) regulations, 2015 or any amendment thereof.

“Related Party”

shall have the meaning as defined under regulation 2 (1) (zb)⁴ of SEBI (LODR) regulations, 2015 inter alia means related party defined under section 2 (1) (76) of the Companies Act, 2013 or under the applicable accounting standards including any amendment thereof.

“Related Party transactions”

shall have the meaning as defined under regulations 2 (1)(zc)⁵ of SEBI (LODR) regulations, 2015 or any amendment thereof.

“Relative”

shall have the meaning as defined under regulation regulations 2 (1) (zd)⁶ of SEBI (LODR) regulations, 2015 inter alia means related party defined under section 2 (1) (77)⁷ of the Companies Act, 2013 and rules prescribed thereunder.

²23(1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions [including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly]: [Provided that 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 listed entity as per the last Audited financial statements of the listed entity, whichever is lower.]

³23 (1A) Notwithstanding the above, [with effect from July 01, 2019] 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 listed entity as per the last Audited financial statements of the listed entity

⁴2 (1) (zb) “related party” means a related party as defined under sub -section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

⁵2 (1) (zc) of company Act, related party”, with reference to a company, means, (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, manager or his relative is a partner; (iv) a private company in which a director or manager [or his relative] is a member or director; (v) a public company in which a director or manager is a director [and holds] along with his relatives, more than two per cent of its paid-up share capital; (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity; (viii) any body corporate which is (A) a holding, subsidiary or an associate company of such company; (B) a subsidiary of a holding company to which it is also a subsidiary; or (C) an investing company or the venturer of the company;”;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

(ix) such other person prescribed under relevant rules;

⁵ “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

4.1. All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

4.2. A related party transaction to which the subsidiary of NABARD is a party but NABARD is not a party, shall require prior approval of the Audit Committee of NABARD 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 consolidated turnover**, as per the last audited financial statements of **NABARD**; (applicable till March 31, 2022)

4.3. With effect from April 1, 2023 clause 4.2 shall be substituted and shall be read as follows;

4.3.1. A related party transaction to which the subsidiary of NABARD is a party but NABARD is not a party, shall require ***prior approval*** of the Audit Committee of NABARD if the value of such transaction whether entered 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**.

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries,

with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction :

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

i. payment of dividend; ii. subdivision or consolidation of securities; iii. issuance of securities by way of a rights issue or a bonus issue; and iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non -Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);]

⁶ Regulation 2 (1) (zd) of SEBI (LODR) Regulations, 2015 "relative" means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s);

⁷ Section 2 (1) (77) of the Companies Act, 2013 (77) "relative", with reference to any person, means anyone who is related to another, if –

i. They are members of a Hindu Undivided Family;

ii. They are husband and wife; or

iii. one person is related to the other in such manner as may be prescribed;

- 4.3.2 prior approval of the Audit Committee of NABARD shall not be required for a related party transaction to which the listed subsidiary is a party, but NABARD is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary.
- 4.3.3 For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in 4.3.2 above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.
- 4.3.4 Audit Committee of NABARD may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-
 - (a) The Audit Committee shall lay down the **criteria for granting the omnibus approval** in line with the policy on related party transactions of NABARD and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - (b) the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of NABARD;
- 4.4. the omnibus approval shall specify:
 - 4.4.1. The name (s) of the related party,
 - 4.4.2. Nature and period of Transaction,
 - 4.4.3. Maximum Amount of transactions shall be entered into
 - 4.4.4. Such other conditions as the Audit Committee may deem fit
- 4.5. In the event need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- 4.6. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- 4.7. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

5. DEALING WITH MATERIAL RPTs

- 5.1. All material related party transactions and subsequent material modifications as defined by the Audit Committee under para 4.3 and Para 4.4. shall require prior approval of the Board through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:
- 5.2. Provided that prior approval of Board of NABARD shall not be required for a related party transaction to which the listed subsidiary is a party but NABARD is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

6. MATERIAL MODIFICATIONS:

- 6.1** Any modification of a related party transactions having significant impact on nature, value, tenure, exposure, or likely financial impact of related party transaction shall be considered as material if
- (a) Nature of the transaction ceases to be on Arm's Length basis.
 - (b) The term of transaction is changed from fixed term to ongoing basis or otherwise.
 - (c) Changes resulting into novation of contract.
 - (d) The variation in the nature of transaction to an extent that the obligation on either side varies by 25 % or more, over and above the approved Limit.
 - (e) The variation in duration of contract giving rise to prolong obligations, terms, termination, and expiry of contract.

Provided however modification on transaction on account of change of law or merely technical in nature shall not be considered as material modifications.

7. EXEMPTIONS TO THE POLICY

- 7.1.** The provision contained in para 4, 5 and 6 above shall not be applicable in the following cases:
- 7.1.1.** Transactions entered into between two government companies.
 - 7.1.2.** Transactions entered into between NABARD and its wholly owned subsidiary whose accounts are consolidated with NABARD and placed before the Board for approval.
 - 7.1.3.** Transactions entered into between two wholly -owned subsidiaries of NABARD, whose accounts are consolidated with NABARD and placed before the Board for approval.

8. RPT NOT APPROVED UNDER THIS POLICY:

- 1)** In the event NABARD becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to NABARD, including ratification, revision or termination of the related party transaction.
- 2)** The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting of such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.
- 3)** In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

9. DISCLOSURE:

- 9.1.** NABARD shall submit to the stock exchanges, disclosures of RTPs along with its standalone/consolidated financial results for the half year in the specified format and within the specified timeline of SEBI.
- 9.2.** The Policy shall be disclosed on NABARD's website.
- 9.3.** NABARD may disclose, in the Board's report, transactions, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- 9.4.** NABARD shall also provide details of all related party transactions exceeding the materiality threshold on a quarterly basis to the stock exchanges along with the compliance report on corporate governance pursuant to the Listing Regulations.

10. EFFECT OF SUBSEQUENT ENACTMENT/OR AMENDMENT /OR CHANGE OF LISTING REGULATION IN THIS POLICY:

- 10.1.** This policy shall be deemed modified / or amended to the extent necessary to give effect to any subsequent enactment/ or amendment/ or change in the listing regulations and other applicable law effective from the date of applicability of any such change.

11. REVIEW OF POLICY:

- 11.1.** This Policy will be reviewed as and when required but at least once in three years.
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