

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

The Policy on Materiality and Dealing with Related Party Transactions (“Policy”) of Northern Arc Capital Limited (“Company”) has been prepared and adopted in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”) and Companies Act, 2013 (“Act”) and the Rules made thereunder, along with circulars issued, including any statutory modifications or re-enactments thereof for the time being in force.

Regulation 23 of Listing Regulations requires the Company to 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.

Objective of the Policy

The objective of this Policy is to set out

1. the materiality thresholds for related party transactions and;
2. the manner of dealing with the transactions between the Company and its related parties based on the applicable laws

DEFINITIONS

1. “Audit Committee” shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of the Act and Listing Regulations.
2. “Arms 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.
3. “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities.
4. “Board of Directors” or “Board” shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and Listing Regulations.
5. “Key Managerial Personnel” in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.
6. “Material modification” shall mean and include any modification to an existing related party transaction having variance of ANY of the existing limit as sanctioned by the Audit Committee/Board/Shareholders, as the case may be.
7. “Related Party” with reference to a Company, shall have the meaning as defined in Section 2(76) of the Act and 2(1)(zb) of the Listing Regulations.
8. “Related Party Transaction” (RPT) means – a. for the purpose of the Act, specified transaction of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188; and b. for the purposes of the Listing regulations, shall have the meaning under Regulation 2(1)(zc).
9. “Relative” means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under.

10. "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 percent of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the Company.

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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

INTIMATION BY RELATED PARTIES

Directors shall disclose to the Board, details of all their relatives and the list of entities in which the Director is concerned or interested directly / indirectly, in Form MBP-1, as prescribed under Section 184 of the Act. The key managerial personnel shall also disclose their relatives. Any changes in the particulars must be informed promptly to the Board of Directors.

The Directors and Key Managerial Personnel shall inform immediately the Board of any proposed related party transactions as soon as they become aware of it. It is the responsibility of the Director(s) or KMP who are interested in a proposed RPT to inform the Board and obtain approval prior to entering into the transaction. Interested Director(s)/ KMP shall not be present at the meeting during discussions on the subject matter of the resolution(s).

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Audit Committee

All related party transactions and subsequent Material Modifications shall require prior approval of the audit committee. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature, subject to the compliance of conditions contained in section 177 of the Companies Act, 2013 and Regulation 23 of the Listing Regulations.

Only those members of the audit committee, who are independent directors, shall approve related party transactions.

Additionally, subject to the Companies Act, 2013, the Audit Committee may also grant omnibus approval for Related Party Transactions of unforeseen nature not exceeding Rs.1,00,00,000 per transaction.

A Related Party Transaction to which a subsidiary is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary. Prior approval of the Audit Committee shall not be required for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the Listing Regulations are applicable to such listed subsidiary.

Pursuant to Regulation 23(1) of the Listing Regulations, the threshold limits for Related Party Transactions (other than wholly-owned Subsidiaries) for granting omnibus approval by the Audit Committee for each financial year is as under:

S. No.	Criteria	Amount
1.	Maximum value of Related Party Transaction (other than wholly-owned subsidiaries), in aggregate, which can be allowed under the omnibus approval route in a year	Upto [10] % of annual consolidated turnover of the Company as per the last audited financial statement
2.	Maximum value per Related Party Transaction (other than wholly-owned subsidiaries) which can be allowed	Upto [10] % of annual consolidated turnover of the Company as per the last audited financial statement

For the sake of clarity, the Audit Committee may grant omnibus approval for Related Party Transactions with wholly owned subsidiaries exceeding the threshold limits prescribed above, subject to compliance with the provisions of the Act and other applicable law.

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall abstain from discussion and voting on such Related Party Transaction.

Board of Directors

The approval of the Board is not required for any transactions entered into by the company in its ordinary course of business and on an arm's length basis. The Company should obtain the approval of the Board for all the transactions specified in section 188 (1) which does not satisfy any of the condition mentioned in the first paragraph, by following the procedure / provisions as per Section 188 of the Act.

All the Material Related Party Transactions shall be considered and approved by the Board before the same are considered by the shareholders for their approval except for (i) those transactions which are 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 (ii) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

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 and voting on the subject matter of the resolution relating to such Related Party Transaction.

Shareholders

Related Party Transactions set out above which require Board approval and exceed the limits as prescribed under Section 188 of the Act, shall be placed for shareholders' approval by way of a resolution, except for transactions which are 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. Any shareholder which is a Related Party in the context of the proposed Related Party Transaction shall abstain from voting on the resolution concerning such Related Party transaction.

Subject to the provisions of Regulation 23(4) of the Listing Regulations, all Material Related Party Transactions and subsequent Material Modifications shall require, the prior approval of the shareholders 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.

Provided that (i) the requirements under this sub-para shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed at the stock exchanges within 1 (one) day of the resolution plan being approved; and (ii) prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which a listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the Listing Regulations are applicable to such listed subsidiary.

VOIDABLE CONTRACTS / ARRANGEMENTS

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of the Act, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to anything stated above, it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of that section for recovery of any loss sustained by it as a result of such contract or arrangement.

DISCLOSURES

a. The Company shall submit every six months on the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified by the Securities and Exchange Board of India and publish the same on its website.

b. The company shall disclose this policy under separate section in the website of the Company and a web link shall be disclosed in the Annual Reports.

c. The Company shall disclose, in the Annual Report, the details of related party transactions as per Schedule V of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

d. Such other disclosures as required under the law.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

POLICY REVIEW

a. The Audit Committee shall review statement of significant related party transaction on a quarterly basis. In addition, the details of the related party transaction pursuant to omnibus approval, if any, shall also be reviewed on a quarterly basis.

b. The said policy should also be reviewed by the Board at least once in every three years.

In case of any amendments to the provisions of the Act, the Listing Regulations or any other regulation which are inconsistent with the Policy, such amended provisions would prevail over the Policy.

EFFECTIVE DATE

This policy shall be effective from 2nd February 2024