

# Policy for Determining Material Subsidiary

v.5

**National Securities Depository Limited**

**Classification: INTERNAL**

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## POLICY FOR DETERMINING MATERIAL SUBSIDIARY

### 1. INTRODUCTION:

National Securities Depository Limited (“**Company**”) has adopted the policy for determining material subsidiary of the Company in accordance with Regulation 16 (1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with amendments, if any (“**SEBI Listing Regulations**”). This Policy for determining Material Subsidiary (“**Policy**”) of the Company has been prepared and adopted in accordance with the SEBI Listing Regulations, which are *mutatis mutandis* applicable to the Company as per the SEBI (Depositories and Participants) Regulations, 2018 and subsequent amendments thereof.

### 2. OBJECTIVE OF THE POLICY:

The objective of the Policy is to determine the "material" subsidiaries of the Company and to provide the governance framework for such subsidiaries.

### 3. DEFINITIONS:

- a) “**Act**” means the Companies Act, 2013 including the rules, schedules, clarifications and guidelines issued by the Ministry of Corporate Affairs from time to time.
- b) “**Audit Committee**” means the Audit Committee of the Board constituted by the Board of Directors of the Company, from time to time.
- c) “**Board**” shall mean the board of directors of National Securities Depository Limited.
- d) “**Control**” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.
- e) “**Independent Director/Public Interest Director**” shall mean as defined under Section 149 of the Companies Act, 2013, Regulation 16 (1)(b) of the SEBI Listing Regulations, 2015 and Regulation 2(1)(m) of the SEBI (Depositories & Participants) Regulations, 2018 including any amendments thereto.

- f) **“Material Subsidiary”** shall have the same meaning as defined in the SEBI Listing Regulations.
- g) **“Significant Transaction and Arrangement”** shall have the same meaning as prescribed in the SEBI Listing Regulations.
- h) **“Subsidiary”** means a subsidiary as defined under sub-section (87) of section 2 of the Act.

Unless otherwise specified, the terms and expressions used but not defined herein shall have the same meaning as assigned to those terms under the Act, the Listing Regulations, or any other Applicable Laws or regulations, as the case may be.

#### **4. POLICY & PROCEDURE:**

##### **(i) Significant transactions / arrangements of material subsidiaries:**

All significant transactions and arrangements entered into by the unlisted subsidiary will be periodically placed before the Board of the Company.

##### **(ii) Restriction on disposal of shares in material subsidiary by the Company:**

The Company shall not dispose of shares in its Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent or cease the exercise of control over the material subsidiary without passing a special resolution in a General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under the Insolvency and Bankruptcy Code, 2016.

##### **(iii) Restriction on selling, disposal and leasing of assets of material subsidiary:**

Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under the Insolvency and Bankruptcy Code, 2016.

**(iv) Other Corporate Governance Requirements with respect to Subsidiary of the Company**

- a. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- b. An Independent Director/Public Interest Director on the Governing Board of Company shall not simultaneously act as Director on the Board of its subsidiary.
- c. The minutes of the Board meetings of the unlisted subsidiary companies of the Company shall be placed at the Board meetings of the Company.
- d. The material unlisted subsidiary of the Company incorporated in India shall undertake secretarial audit and shall annex Secretarial Audit Report, given by a Company Secretary in practice, in such form as may be specified in the Annual Report of the Company.

**5. Review:**

The Company may review this policy annually or as and when required.

**6. Disclosure:**

This Policy shall be disclosed on the Company's website, and a web link thereto shall be provided in the Annual Report.

**7. Amendments:**

In case of any subsequent changes in the Companies Act or SEBI (Depositories and Participants) Regulations, 2018 or SEBI (LODR) Regulations 2015, or any other regulations which makes any of the provisions in the Policy inconsistent with the Companies Act or SEBI (LODR) Regulations or SEBI (Depositories and Participants) Regulations, 2018 or any other regulations, then the provision of the Companies Act or said regulations would prevail over the Policy and the provisions of the Policy would be modified in due course to make it consistent with law. However, the amended regulatory/statutory provisions will supersede the existing Policy till the time the Policy is suitably amended.

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