



Securities and Exchange Board of India  
C4 -A, "G" block, Bandra Kurla Complex  
India

Date: 25.08.2025

## Consultation paper on Proposals for Ease of Doing Business - Amendments to Provisions Relating to Related Party Transactions under SEBI (LODR) Regulations 2015 and Circulars Thereunder

Norges Bank Investment Management (NBIM) welcomes the opportunity to respond to the public consultation of the Securities and Exchange Board of India (SEBI) on proposed amendments to the provisions relating to Related Party Transactions (RPTs) under SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations 2015 and circulars thereunder.

NBIM is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 14,87,950 INR crore at the end of 2024. Of this total, 2,63,583 INR crore is invested in the shares of 550 Indian companies. We are a long-term investor, working to safeguard and build financial wealth for future generations.

As a global investor committed to minority shareholder protection and good corporate governance, we consider the oversight of related party transactions to be a critical component of effective governance frameworks. Our position is that RPTs should be conducted on market terms with clear benefits to all shareholders, requiring independent board approval for material transactions, and robust disclosure practices that enable proper evaluation of whether transactions serve the company's interests.<sup>1</sup> This is particularly relevant in markets such as India where promoter-led ownership structures are prevalent. While we appreciate SEBI's objectives to reduce compliance burden and facilitate ease of doing business, we believe that any relaxation of RPT oversight mechanisms should be carefully balanced against the need to protect minority shareholders' interests.

### Scale-based materiality thresholds for RPTs

We welcome SEBI's intention to introduce proportionality through scale-based materiality thresholds in Section I, Proposal 1 of the consultation paper. However, we suggest an alternative approach to the proposed framework as it solely relies on a single metric of turnover for determining materiality of RPTs. This may not provide an effective filter to capture truly material transactions over time, and as

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<sup>1</sup> [Related-party transactions | Norges Bank Investment Management](#).

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the Indian economy and listed companies' turnover continue to grow, these thresholds may require regular updates to remain relevant.

The current turnover-based materiality approach does not fully account for transaction types or industry-specific characteristics, potentially leading to inconsistent outcomes across different sectors and company types. Additionally, RPTs have historically been a focus area in governance discussions in the Indian market. SEBI's own analysis indicates the proposed changes will reduce RPTs requiring shareholder approval by approximately 60%.<sup>2</sup> Given that approximately 75% of listed entities in India remain promoter-controlled, preserving appropriate levels of shareholder oversight warrants careful consideration.

We suggest SEBI consider a multi-metric approach for determining materiality thresholds for RPTs. In 2020, a SEBI working group had proposed such an approach.<sup>3</sup> Internationally, jurisdictions like the UK, and Hong Kong employ multiple metrics (assets, profits, capital and market value) when determining RPT materiality. OECD's Flexibility and Proportionality in Corporate Governance report also notes that many jurisdictions now use multiple quantitative factors to determine RPT materiality thresholds.<sup>4</sup>

Regulation 30 of the SEBI (LODR) Regulations 2015 already offers a principle-based multi-metric approach for determining materiality of transactions in listed companies. Extending this approach to RPTs could create a framework that automatically scales with company growth without requiring frequent recalibration. A multi-metric threshold system based on relative percentages rather than absolute values would significantly simplify the regulatory framework by eliminating the need for multiple company size categories. This approach would more effectively support SEBI's intentions to reduce regulatory burden and improve ease of doing business, as companies would no longer need to navigate the proposed three-tier categorization system or revisit thresholds as they grow.

### Thresholds for subsidiary RPTs

We support SEBI's proposal 2 in Section I regarding thresholds for subsidiary RPTs. The "dual threshold" approach requiring audit committee approval for subsidiary RPTs that exceed the lower of 10% of subsidiary turnover or the materiality threshold applicable to the listed entity effectively addresses an important regulatory gap. Without this provision, transactions that are material to the listed entity but not to the subsidiary could escape proper scrutiny, creating potential risks for minority shareholders. Should SEBI adopt our suggested multi-metric approach for determining materiality thresholds for listed entities, this enhancement could be seamlessly incorporated within the existing dual threshold framework. The "lower of" approach would remain intact, while only improving the calculation methodology for the materiality threshold itself.

### Omnibus approval validity

<sup>2</sup> [SEBI | Consultation Paper on Amendments To Provisions Relating To Related Party Transactions Under SEBI \(LODR\) Regulations, 2015 And Circulars Thereunder](https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes) <a href="https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes" style="color: #007ffc;">Click here to provide your comments </a>.

<sup>3</sup> [SEBI | Report of the Working Group on Related Party Transactions.](#)

<sup>4</sup> [Flexibility and Proportionality in Corporate Governance \(EN\)](#), Pg 17.



We support SEBI's proposal to formalize the validity periods for omnibus approvals of related party transactions granted by shareholders. Moving these provisions from the Master Circular<sup>5</sup> into Regulation 23(4) of SEBI's LODR Regulations 2015 provides greater clarity for all market participants. The 15-month maximum validity period strikes an appropriate balance between operational flexibility for companies and ensuring timely shareholder oversight of material RPTs.

### **Additional considerations**

We note that the consultation does not address materiality thresholds for royalty payments. Regulation 23(1A) of the SEBI's LODR Regulations 2015 states that royalty payments require shareholder approval only if they exceed five percent of annual consolidated turnover. This single turnover metric means royalty payments that are material to a company's profits may remain below the threshold for shareholder approval. Consequently, minority shareholders may be excluded from decisions regarding significant cash outflows to controlling shareholders.

SEBI's 2024 study<sup>6</sup> revealed that royalty payments by listed companies to related parties have doubled over the past decade to 10,779 INR crore (approximately USD 1.2 billion) in financial year 2023. Notably, 25% of firms pay royalties exceeding 20% of net profits, raising concerns about transparency, governance, and shareholder returns. We encourage SEBI to consider incorporating royalty payments within the broader RPT framework under consultation. Adopting a multi-metric approach would more effectively capture transactions that are material from both revenue and profit perspectives. This approach would align with international best practices and enhance oversight of significant value transfers to related parties. It would also ensure minority shareholders have appropriate input on these important transactions.

### **Concluding remarks**

In principle, we support SEBI's efforts to simplify compliance requirements and improve ease of doing business through streamlining processes and reducing procedural bottlenecks. We would, however, suggest that SEBI consider the implications of proposals that could reduce shareholder approval of RPTs by approximately 60%, shifting significant oversight responsibility from shareholders to audit committees.

Audit committees undoubtedly play a critical role in corporate governance. As their responsibilities potentially expand under the proposed framework, ensuring they possess the capacity, resources, and independence to provide robust oversight becomes increasingly important. This is especially relevant when shareholders may have fewer opportunities for direct transaction approval. Such safeguards help maintain confidence that RPTs are conducted on commercial terms benefiting all shareholders.

We appreciate SEBI chairperson's recent insights on enhancing the role of independent directors as 'stewards of accountability'.<sup>7</sup> These forward-looking perspectives on governance enhancement complement and could strengthen the evolving RPT framework under consideration.

<sup>5</sup> [SEBI | Master circular for compliance with the provisions of the Securities and Exchange Board of India \(Listing Obligations and Disclosure Requirements\) Regulations, 2015 by listed entities.](#)

<sup>6</sup> [SEBI | Study - Analysis of Royalty Payments by Listed Companies to Related Parties.](#)

<sup>7</sup> [SEBI | Address by Chairman SEBI - Institute of Directors: 2025 Annual Directors' Conclave, New Delhi.](#)



We are grateful for the opportunity to contribute to this important consultation. We remain available should you wish to discuss these matters further.

Yours sincerely

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