



## **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

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## **1. Background**

As per SEBI's clause 49 of the Listing Agreement, Bank is required to formulate a policy for determining 'material' subsidiaries. SEBI vide its notification dated 09<sup>th</sup> May 2018 has made amendments in the Listing Obligation and Disclosure requirement. Changes proposed by SEBI in its notification are already incorporated and would automatically be activated from 01<sup>st</sup> April 2019 without any further review of the policy.

## **2. Policy Statement**

This policy lays down the criteria for determination of material subsidiaries of the Bank and provides for the general and special considerations vis-a-vis corporate governance practice to be followed in respect of the material and non-material subsidiaries.

## **3. Applicability**

The provision of this policy would be applicable on the Bank in respect of its subsidiaries and on the listed subsidiary company of the Bank, if any, in so far as its subsidiaries are concerned.

## **4. Definitions**

### **i) Subsidiary Company**

'Subsidiary Company' or 'Subsidiary, in relation to the Bank shall mean a Company in which the Bank:

- a. controls the composition of the Board of Directors; or
- b. exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Explanation:

- A company shall be deemed to be a subsidiary company of the Bank even if the control referred to in sub-clause (a) or sub-clause (b) is of another subsidiary company of the Bank;
- The composition of a Company's Board of Directors shall be deemed to be controlled by the Bank; if the Bank by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;
- the expression "Company" includes anybody corporate;

### **ii) Material Subsidiary Company**

A Subsidiary Company shall be considered as Material if the investment of the Bank in the subsidiary exceeds 10% of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated 10% of the consolidated income of the Bank during the previous financial year. On an annual basis, F&A will provide confirmation for the same.

### **iii) Significant Transactions and Arrangements**

It shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may

be, of the unlisted subsidiary for the immediately preceding accounting year. On an annual basis, F&A will provide confirmation for the same.

## **5. General Provisions**

- i) The Audit Committee of the Bank shall review the financial statements, in particular, the statement of investments of the unlisted (Material and Non Material) subsidiary company. Subsidiary Governance department will present the statement of investments of the subsidiaries to the Audit Committee.
- ii) The minutes of the Board meetings of the unlisted (Material and Non Material) subsidiary company shall be placed at the Board meeting of the Bank. Subsidiary shall periodically bring to the attention of the Board of Directors of the Bank, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company. Subsidiary Governance department
- iii) will place the minutes of the Board meetings of the unlisted (Material and Non Material) subsidiary company at the Board meeting of the Bank.

## **6. Special provisions for Material Subsidiary Companies**

- i) At least one independent director on the Board of Directors of the Bank shall be a director on the Board of Directors of a material non-listed subsidiary whether incorporated in India or not.
- ii) The Bank shall not dispose of the shares in its material subsidiary which might reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or equal to 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
- iii) Selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution in General Meeting, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

## **7. Others - Disclosure of Policy**

In terms of clause 49 V D of the Equity Listing Agreement and regulation 46 of SEBI (LODR), the Bank will disclose the 'Policy for determining Material Subsidiaries' on the Bank's website and a web link thereto shall be provided in the Annual Report by the Secretarial team of the Bank.

## **8. Review**

This policy shall be reviewed once every year, unless early review is warranted. The Policy would be put up for a review / amendment of the Policy to the Bank's Board of Directors for approval by Subsidiary Governance Department of the Bank. However, the policy will remain in force till the next review.