



POLICY

FOR

MATERIAL SUBSIDIARIES

FOREIGN BUSINESS DEPARTMENT, HEAD OFFICE

DOMESTIC SUBSIDIARIES MANAGEMENT DIVISION

POLICY FOR MATERIAL SUBSIDIARIES

1. **PREAMBLE:**

In terms of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirement) Regulations – 2015 as amended from time to time ('Listing Regulations'), the listed entities are required to formulate a policy for determining "Material Subsidiary".

Further in terms of Regulation 46(2)(h) of the Listing Regulations, the policy shall be disclosed under a separate section on the Bank's website and web link thereto shall be provided in the Annual Report of the Bank.

2. **BACKGROUND:**

In terms of Regulation 2(1)(p) of the Listing Regulations "listed entity" has been defined as an entity which is listed on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, are in accordance with the listing agreement entered into between the entity and the recognized stock exchange(s).

As per Explanation to Regulation 16(1)(c), listed entity shall formulate a policy for determining "Material Subsidiary". This policy covers both domestic and overseas Subsidiaries of the Bank under 'Material Subsidiary'. Our Bank being a listed entity has formulated a **Policy for "Material Subsidiaries"** as under:

3. **DEFINITIONS:**

"Audit Committee of the Board (ACB)"

ACB means an Audit Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI). The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalization and quality control of internal audit and inspection within the Bank and follow-up on the statutory/external audit of the Bank and inspections of the RBI.

"Board" means Board of Directors of the Bank in terms of Section 9(3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

"Definition of Subsidiary, Associates, Joint Ventures, 'Control and Significant Influence' in terms of Indian Accounting Standards" – As listed in Annexure-I.

"Financial Services Companies" – listed in Annexure-II

"Material Subsidiary" shall have the meaning as defined under Regulation 16(1)(c) of Listing Regulations as under:

Material Subsidiary shall mean a subsidiary, whose **turnover** or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated **turnover** or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year.

4. **“Significant transaction or arrangement”** means 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. **POLICY:**

- A. As per Regulation 24(1) of the Listing Regulations, at least one independent director on the Board of Directors of the Bank shall be a director on the Board of Directors of an unlisted material subsidiary, whether incorporated in India or not.

For the purposes of compliance of Regulation 24(1) of the Listing Regulations, relating to an appointment of independent director, notwithstanding anything to the contrary contained in Regulation 16 of Listing Regulations, the term “material subsidiary” shall mean a subsidiary, whose **turnover** or net worth exceeds twenty percent of the consolidated **turnover** or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- B. The Audit Committee of the Bank shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- C. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Bank.
- D. The management of the unlisted 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.
- E. Bank shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 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 or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- F. 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 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 Section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved:

Nothing contained in this paragraph F shall be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Bank.

G. Where Bank has a listed subsidiary, which is itself a holding company, the provisions of Listing Regulations shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

H. Secretarial Audit and Secretarial Compliance Report:

As per Regulation 24A of the Listing Regulations,

(1) Every listed entity and its material unlisted subsidiary incorporated in India shall undertake secretarial audit **by a Secretarial Auditor. Such Secretarial Auditor shall be a peer reviewed company secretary** and shall annex a secretarial audit report, in such form as may be specified, with the annual report of the listed entity.

Explanation:

a. **“Secretarial Auditor” means a Company Secretary in practice or a firm of company secretary(ies) in practice appointed to conduct the secretarial audit.**

b. **“Peer Reviewed Company Secretary” means a company secretary in practice, who is either practicing individually or as a sole proprietor or as a partner of a peer reviewed practice unit, holding a valid certificate of peer review issued by the institute of company secretaries of India.**

(2) Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.

Provided that the listed entity shall ensure that with effect from April 1, 2025, the secretarial compliance report submitted to the stock exchange(s) on annual basis is signed only by the secretarial auditor or by a peer reviewed company secretary who satisfies the conditions mentioned under the Listing Regulations.

I. Corporate Governance Report:

As per the Regulation 34(3) read together with **Paragraph C(10)(n)** of Schedule V of the Listing regulation, the bank shall disclose the details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries under the corporate governance section of the annual report.

5. **Conclusion:**

Annexures I form part of this policy and this policy is subject to comprehensive review annually. to incorporate latest RBI **and Securities Exchange Board of India guidelines as applicable to Bank.**

**Definition of Subsidiary, Associates, Joint Ventures, ‘Control and Significant Influence’
in terms of Accounting Standards**

Accounting Standards 18, 21, 23 and 27 define the above-mentioned terms.

Subsidiary is a company in which another company (the holding company) holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or of which another company (the holding company) controls, either by itself and/or through one or more subsidiaries, the composition of its board of directors.

Associate is an enterprise in which the investor has significant influence (**usually 20-50% of shareholding / voting power**), **but no control and** which is neither a subsidiary nor a joint venture of the investor.

Control –

- (a) The ownership, directly or indirectly, through subsidiary(ies), of more than one-half of the voting power of an enterprise; or
- (b) Control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Significant Influence is the power to participate in the financial and/or operating policy decisions of the investee but not control over its policies.