

Policy Certification

Title **Policy for determining material subsidiaries**

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Owned By:	CO: Investor Services Cell
Prepared By :	CO: Investor Services Cell
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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. NEED AND OBJECTIVE OF THE POLICY:

Securities and Exchange Board of India (SEBI), has on September 02, 2015, notified a comprehensive SEBI (LODR) Regulations, incorporating the provisions of revised Clause 49 of the Listing Agreement on Corporate Governance, to align with the Companies Act, 2013. The new Regulation become operational on the 90th day from the date of its publication in Official Gazette, i.e, with effect from December 01, 2015, replacing the Listing Agreement. As per Regulation 16(c) of the SEBI (LODR) Regulations, the listed entity shall formulate a policy for determining “material subsidiary. Our Bank is a listed entity with effect from March 01, 2007.

Accordingly, the Board of Directors of the Bank has adopted the following policy and procedures with regard to determination of “Material subsidiaries” of the Bank.

2. DEFINITIONS:

Audit Committee of the Board (ACB)	“Audit Committee” means Committee of Board of Directors of the Bank constituted in pursuance of the directives of Reserve Bank of India and in compliance with the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 and provisions of Listing Agreement / SEBI (LODR) Regulations.
Board	“Board” means Board of Directors of the Bank constituted in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80.
Subsidiary	<p>“Subsidiary “ means a company -</p> <p>(a) of which the Bank controls the composition of the Board of Directors; or</p> <p>(b) in which the Bank 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.</p> <p>The composition of the 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.</p>
Significant transaction or arrangement	“Significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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	“Policy” means “Policy on determining material subsidiary”.

3. POLICY:

- 3.1.** A “material subsidiary” shall mean a subsidiary, whose turnover/total Income or net worth exceeds ten percent of the consolidated turnover/income or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.
- 3.2.** Atleast 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.

Explanation- For the purpose of this clause, notwithstanding anything to the contrary contained in clause 3.1 above, the term “material subsidiary” shall mean a subsidiary, whose turnover/total Income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.

- 3.3.** The audit committee of the Bank shall also review the financial statements, in particular, the investments made by the unlisted material subsidiary.
- 3.4.** The minutes of the meetings of the board of directors of the unlisted material subsidiary shall be placed at the meeting of the board of directors of the Bank.
- 3.5.** The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the Bank, a statement of all significant transactions and arrangements entered into by the unlisted material subsidiary.
- 3.6.** The Bank shall not dispose of shares in its material subsidiary resulting in reduction of 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 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.
- 3.7.** 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.
- 3.8.** Where the Bank has a listed subsidiary, which is itself a holding company, these provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.
- 3.9.** CO: Subsidiaries Department shall be the custodian of the Policy, who shall review and monitor the material subsidiaries of the Bank every year and report to the ACB and Board.

4. DISCLOSURE:

The Policy shall be disclosed on the website of the Bank. The Board may review and amend the Policy from time to time.