



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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सेन्ट्रल बैंक ऑफ इंडिया
Central Bank of India

Central Office: Chandermukhi, Nariman Point, Mumbai – 400 021

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

I. NEED AND OBJECTIVE OF THE POLICY:

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the listed entities to formulate a policy for determining “material” subsidiaries.

Accordingly, the Bank has laid down this “Policy on determining material Subsidiaries”.

II. BACKGROUND:

In terms of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirement), Regulation -2015 as amend from time to time, the listed entity shall formulate a policy for determining “material subsidiary”. Our Bank being a listed entity has formulated a Policy for “Material Subsidiaries” as under:

III. DEFINITIONS:

“Audit Committee of the Board (ACB)” ACB means a Committee of the Board constituted by the Board of Directors as per the guidelines of the Reserve Bank of India (RBI)/GOI/SEBI(LODR), Regulations,2015.

The ACB provides direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalisation 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.

“Material Subsidiary” shall mean a subsidiary, whose **turnover** or **net worth** exceeds **ten per cent** of the **consolidated turnover** or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.

“Policy” means “Policy on Subsidiary”.

“Subsidiary” means a company:

(a) in which the Bank holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or

(b) of which the Bank controls either by itself and/or through one or more subsidiaries, the composition of its Board of Directors.



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“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.

IV. CORPORATE GOVERNANCE NORMS APPLICABLE TO SUBSIDIARY COMPANY:

A. As per regulation 24(1) of the SEBI (LODR), Regulations, 2015, 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 incorporated in India or not.

Explanation - For the purpose of this provision, notwithstanding anything to the contrary contained in regulation 16 of the SEBI (LODR), Regulations, 2015, 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.

C. The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Bank.

D. 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 subsidiary.

Explanation: For the purpose of this regulation, the term “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.

E. 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** 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 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 sub-regulation shall be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Bank.

Explanation: Where the Bank at any time in future will have a listed subsidiary, which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

G. As per regulation 24A of the SEBI (LODR), Regulations, 2015, Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex a Secretarial Audit Report in such form as specified, with the annual report of the listed entity.

V. REVIEW OF POLICY:

The policy shall be reviewed/modified in line with the regulatory requirement from time to time.

VI. DISCLOSURES:

The Policy shall be disclosed on Bank's website www.centralbank.bank.in and a web link thereto shall be provided in the Annual Report of the Bank.
