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# Policy for Determination of Material Subsidiary

## ***Federal Bank*** **Secretarial Department**

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<b>Record of Last 3-year Amendments</b>		
<b>Reviewer</b>	<b>Approver</b>	<b>Approval Date</b>
ACB	Board	21.08.2022 (New Policy formulated approved through Circulation)
ACB	Board	27.03.2024
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## **POLICY FOR DETERMINATION OF MATERIAL SUBSIDIARY**

### **1. Preamble**

Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires every company which has listed its specified securities/Non-convertible securities to formulate a policy to determine its “Material Subsidiaries”.

This Policy sets out the criteria for determination of material subsidiaries of the Bank and provides the framework for such determination in line with the requirements of the Regulation 16 and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **2. Determination of Material Subsidiary**

“Material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

### **3. Special Provisions applicable to a Material Subsidiary**

- i. The Bank shall obtain a prior approval of its shareholders by way of special resolution to:
  - Dispose-off the shares held 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 to exercise the control over the subsidiary.
  - sell, dispose and lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year.

However, the above will not apply if the divestment, sale, disposal or 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.

- ii. At least one independent Director 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 purpose of this clause, the material subsidiary shall mean a subsidiary, whose turnover or net worth exceeds 20% of the Bank’s consolidated turnover or net-worth respectively in the immediately preceding accounting year.
- iii. The Bank and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report, given by a peer reviewed Company Secretary in Practice, in such form as may be specified.

### **4. Other Provisions Related to Unlisted Subsidiary/Material Unlisted Subsidiary**

- i. The audit committee of the Bank shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- ii. The minutes of the meetings of the board of directors of the Bank shall be placed at the meeting of the board of directors of the listed entity.
- iii. 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.
  - For the purpose of this clause, 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.

## **5. Review of Policy**

*This policy* will be modified from time to time to be in line with the regulatory requirements, including the Companies Act, 2013 (“Act”) and Guidelines/Regulations issued by the Securities Exchange Board of India, from time to time. This Policy shall be reviewed by the Audit Committee in the event of any change in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, the Companies Act, 2013, or other applicable laws, or at least once in every three years, whichever is earlier.

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

## **6. Listed subsidiary**

If the Bank at any time has a listed subsidiary which is itself a holding company, the provisions of Regulation 24 relating to subsidiary companies shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

## **7. Dissemination of Policy**

The Policy for determining material subsidiary shall be disclosed on the Bank’s website ([www.federal.bank.in](http://www.federal.bank.in)) and a web link thereto shall be provided in the Annual Report.

**RACI Matrix**

The RACI matrix given below provides a broad overview of the responsibilities/roles of various verticals during disclosure:

R - Responsible	Refers to those who do the work to complete the task.
A - Accountable	Designates the person who ultimately answer for the results of an activity, and also who delegates the work to the people who will execute it.
C - Consulted	Refers to those who sought be heard on the related activity, and with whom there is two-way communication.
I - Informed	Designates those who sought to be kept up-to-date on the progress of the activity, and with whom there is just one-way communication.

<b>Policy for Determination of Material Subsidiary</b>	<b>Secretarial Dept</b>	<b>Treasury Dept</b>	<b>FRD</b>	<b>Board</b>
<b>Determination of Material Subsidiary</b>	R/C	I/C	C	A
<b>Special Provisions applicable to a Material Subsidiary</b>	R/C	I/C	I/C	A
<b>Other Provisions Related to Unlisted Subsidiary/Material Unlisted Subsidiary</b>	R/C	I/C	I/C	A
<b>Review of Policy</b>	R/C	I	I	A
<b>Listed subsidiary</b>	R/C	I	I	A
<b>Dissemination of Policy</b>	R/C	I	I	A