



POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

OF

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

[Pursuant to regulation no. 16 (1) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable provisions]

[THE BOARD OF DIRECTORS OF SIDBI IN THEIR 217TH BOARD MEETING HELD ON FEBRUARY 06, 2023, HAS APPROVED THIS POLICY]

I. INTRODUCTION

Pursuant to Regulation no. 16 (1) (c) of SEBI (LODR) Regulations 2015, material subsidiary in relation to SIDBI shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the SIDBI and its subsidiaries in the immediately preceding accounting year. In such case SIDBI should lay down a policy for determining 'material' subsidiary.

This policy shall set out the criteria for determining a material subsidiary and shall be called as "Policy for Determining Material Subsidiaries of SIDBI".

II. OBJECTIVE

The objective of the Policy is to determine the basis for determining 'Material Subsidiaries' and to provide a governance framework as specified in point IV of this policy for such material subsidiaries.

The Policy is framed in accordance with the requirements of the Regulations 16 (1) (c) of the SEBI (LODR) Regulations, 2015.

III. DEFINITIONS

"Audit Committee or Committee" means "Audit Committee" of SIDBI.

"Board of Directors" or "Board" means the members of the Board of Directors of SIDBI.

"SIDBI" means Small Industries Development Bank of India.

"Independent Director" means Pursuant to explanation given under Regulation no. 16 (1) (b) in case of a 'high value debt listed entity' which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;

"Policy" mean this Policy, as amended from time to time.

"Subsidiary" shall mean a company in relations to the holding company that (i) controls the composition of the Board of Directors; or (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

"Material Subsidiary" shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of SIDBI and its subsidiaries in the immediately preceding accounting year.

"Material unlisted Indian Subsidiary" shall mean a Material Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges.

"Significant Transaction or Arrangement" 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 material unlisted subsidiary for the immediately preceding accounting year.

Any other term not defined herein shall have the same meaning as defined in the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

IV. POLICY:

Material unlisted Indian Subsidiary shall mean a subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges and whose net worth exceeds 10% of the consolidated net worth of SIDBI as per the audited balance sheet of the previous financial year; or Income exceeds 10% of the consolidated income of SIDBI as per the audited balance sheet of the previous financial year. The governance framework pertaining to material subsidiaries shall be as under:

A. The Audit Committee of SIDBI shall

- i. review list of material subsidiaries and material non-listed Indian subsidiaries on annual basis
- ii. review the financial statements of material subsidiary,
- iii. the investments made by the material unlisted subsidiary of SIDBI and
- iv. review statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

B. SIDBI, without the prior approval of its members (shareholders) by Special Resolution, shall not:

- I. dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- II. ceases the exercise of control over the Subsidiary; or
- III. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year, unless in cases where the divestment/sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

Note: The secretarial compliance report of the material subsidiary shall form part of the Annual report of the SIDBI.

V. COMMON INDEPENDENT DIRECTOR:

SIDBI shall endeavour to appoint one independent director on the board of its unlisted subsidiary who shall also be a non-executive director in its (SIDBI) Board, when the income or net worth of such unlisted subsidiary exceeds twenty percent of the consolidated income or net worth respectively, of SIDBI and its subsidiaries in the immediately preceding accounting year.

VI. AMENDMENTS

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

VII. DISSEMINATION OF POLICY

This policy shall be hosted on the intra-net, bulletin board and website of the Bank and shall be disclosed to the Stock Exchanges.