POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

Version 6.0

TAMILNAD MERCANTILE BANK LTD

SECRETARIAL SECTION

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

Document History

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1.00	03.08.2021	Policy framed for the proposed Initial Public Offer
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Till next review	01.04.2027

TAMILNAD MERCANTILE BANK LTD., SECRETARIAL SECTION

Policy for Determining Material Subsidiaries

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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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A. PURPOSE OF THIS POLICY

This policy for determining material subsidiaries ("**Policy**") has been framed in accordance with the provisions of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015 ("**Listing Regulations**").

This Policy will be used to determine the material subsidiary of Tamilnad Mercantile Bank Limited ("**Bank**") and to provide the governance framework for such subsidiaries.

B. DEFINITIONS

"Material subsidiary" shall mean a subsidiary, whose **turnover** or net worth exceeds 10% of the consolidated **turnover** or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

However, in case if the subsidiary's net worth exceeds 10% of the consolidated net worth of the bank but if it generates Loss, then such subsidiary would not be qualified as material subsidiary.

"Net worth" shall as defined in Section 2(57) of the Companies Act, 2013, shall mean the aggregate value of the paid-up share capital and all reserves created out of the profits and **securities premium account and debit / credit balance of profit & loss account**, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;

"Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company—

(i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the **total voting power** either at its own or together withone or more of its subsidiary companies

"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 unlisted subsidiary for the immediately preceding accounting year.

"Unlisted subsidiary" means subsidiary whose securities are not listed on any recognized Stock Exchanges.

C. DETERMINATION OF MATERIAL SUBSIDIARY

The Chief Financial Officer in consultation with the Managing Director of the Bank shall be responsible for monitoring and determining which of the Subsidiaries that would fall within the definition of Material Subsidiaries. Further they shall also be responsible for monitoring the investments made by the bank in the Subsidiaries for the purpose of determining its Materiality.

The Bank shall, on or before 30^{th} June of every year identify its Material Subsidiaries.

D. CORPORATE GOVERNANCE REQUIREMENTS IN CASE OF DEALING WITH SUBSIDIARIES

1. 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.

   Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of the LODR regulations, the term "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.

2. The Audit Committee of the Board shall review the financial statements, in particular, the investments made by the unlisted subsidiary of the Bank.

3. The minutes of the board meetings of the unlisted subsidiary shall be placed at the board meeting of the Bank at regular intervals.

4. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of the Bank, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

5. The 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** fifty percent (50%) or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases

where divestment is 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 recognised Stock Exchanges within one day of the resolution plan being approved.

6. The Bank shall not sell, dispose and lease assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year without prior approval of the shareholders by way of passing special resolution in its General Meeting, unless the sale or disposal or lease is made under a scheme of arrangement duly approved by Court or 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 policy shall be applicable if such sale / disposal / lease of assets in between two wholly owned subsidiaries of listed entity.**

7. **The details of material subsidiaries of the Bank including the date and place of incorporation and the name and the date if appointment of the statutory auditors of such subsidiaries shall be disclosed in the annual report.**

8. **The Bank shall disclose all information to the stock exchange with respect to subsidiaries which are material for the Bank.**

9. 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 company secretary in practice, in Form No. MR-3 as specified under the Act with effect from the year ended March 31, 2019.

10. Where the Bank has a listed Subsidiary, which itself is a Holding Company, this Policy shall apply to the listed Subsidiary in so far as its Subsidiaries are concerned.

E. DISCLOSURES

The Bank shall disclose the details of this Policy on its website www.tmb.bank.in and a web link thereto shall be provided in the Annual Report.

F. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and Listing Regulations or any other statutory enactments, rules, the provisions of such Listing Regulations or statutory enactments, rules shall prevail over this Policy. **Any change in the Policy shall be approved by the Board of Directors of the Bank.**

Note: As on date, the Bank does not have any subsidiary; going forward in case, if the Bank incorporates any subsidiary/ subsidiaries and if it becomes “Material Subsidiary”, the Bank would comply with the provisions of this policy.

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