

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

Version 5.0

**TAMILNAD MERCANTILE BANK LTD
SECRETARIAL SECTION**

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

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TAMILNAD MERCANTILE BANK LTD., SECRETARIAL SECTION

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Sl No.	Subject	Page No.
1	Purpose of this policy	1
2	Definitions	1
3	Determination of material subsidiary	2
4	Corporate governance requirements in case of dealing with subsidiaries	2
5	Disclosures	3
6	Limitation and Amendment	3

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 income or net worth exceeds 10% of the consolidated income 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, 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 share capital either at its own or together with one 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 30th 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 income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

2. The Audit Committee of the Bank 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 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 as 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.
7. 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.
8. 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 Company shall disclose the details of this Policy on its website www.tmb.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.

Note: As on date the Bank do not have any subsidiary; going forward in case if the Bank incorporate any subsidiary/ subsidiaries and if they become “Material”, the Bank would comply with this policy.
