

Policy on Determining Material Subsidiaries and Corporate Governance Requirements with Respect to Subsidiaries

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**Shares & Bonds Department
State Bank of India
Corporate Centre,
Mumbai**

(Note: The policy document has also been uploaded in SBI Times >> Manuals/Master Circular/ Policies/ SOP >> Shares & Bonds Department Policies >> Determining Material Subsidiaries and Corporate Governance Requirements with Respect to Subsidiaries

**and
This policy document has also been uploaded in Bank's website (<https://bank.sbi>) >> Investor Relations >> Disclosure Under Regulation 46 >> Codes & Policies >> Determining Material Subsidiaries and Corporate Governance Requirements with Respect to Subsidiaries)**

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1. PREAMBLE

- 1.1. The State Bank of India, (“SBI” or “the Bank”), a body corporate constituted under State Bank of India Act, 1955 (“SBI Act”), is governed by the provisions of the SBI Act. SBI is bound by the regulations, viz. State Bank of India General Regulations, 1955 (“SBIGR”) framed under Section 50 of the SBI Act. Further, SBI is also bound by the provisions mentioned in section 51 of the Banking Regulations Act, 1949 (“BR Act”), the directions and guidelines issued by the regulatory authority, Reserve Bank of India (“RBI”) from time to time in accordance with the BR Act, Reserve Bank of India Act, 1934 (“RBI Act”) or any other statutory provisions.
- 1.2. SBI, being a listed entity, is to comply with the regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the guidelines issued by the Securities and Exchange Board of India (“SEBI”) from time to time in this regard.
- 1.3. Provisions of Regulation 24 of Listing Regulations shall be applicable to the body corporates such as SBI ***to the extent that they do not violate their respective statutes and guidelines, or directives issued by the relevant regulatory authorities.***
- 1.4. Regulation 16 (1) (c) of Listing Regulations mandates a listed entity to formulate a policy for determining ‘material’ subsidiary and this Policy is formulated to fulfil the said requirement.

2. NAME AND SCOPE OF THE POLICY

- 2.1. This policy shall be called “Policy for Determining Material Subsidiaries and corporate governance requirements with respect to subsidiaries” (“Policy”).
- 2.2. Central Board of SBI shall be the authority to approve and adopt this policy.
- 2.3. This Policy outlines the basis for determining ‘Material Subsidiaries’, in terms of the provisions of Listing Regulations.
- 2.4. Operational Guidelines with respect to determining the Material Subsidiaries under the Policy has been framed and will be amended from time to time according to requirement, with the approval of the competent authority.

3. APPLICABILITY

3.1. This Policy and the relevant provisions of Listing Regulations dealing with the subsidiary companies shall be applicable to the Bank.

4. DEFINITIONS

4.1. “**Bank**” means the State Bank of India (SBI), constituted under the State Bank of India Act, 1955.

4.2. “**Central Board**” means the Central Board as defined under Section 19 of the State Bank of India Act, 1955 as amended from time to time and also includes the Executive Committee of the Central Board constituted as per Section 30 of the State Bank of India Act, 1955.

4.3. “**Company**” shall mean a company registered under the Companies Act 2013 or any previous Company Law.

4.4. “**Material subsidiary**” means a subsidiary of the Bank determined as a Material Subsidiary in accordance with Para 5 of the Policy.

4.5. “**Subsidiary Company**” in relation to the SBI, means a company in which SBI

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total voting rights either at its own or together with one or more of its subsidiary companies.

Explanation:

- (a) a company shall be deemed to be a subsidiary company of the SBI even if the control referred to in sub-clause (i) or sub-clause (ii) above is of another subsidiary company of the SBI;
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors;
- (c) The expression “company” includes any body corporate;

4.6. “**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.

4.7. “**Insolvency Code**” means the Insolvency and Bankruptcy Code, 2016.

5. DETERMINATION OF MATERIAL SUBSIDIARIES.

5.1. A subsidiary company of the Bank will be treated as a Material Subsidiary, if its income or net worth exceeds **ten percent** of the consolidated income or net worth respectively, of the Bank and its subsidiaries in the immediately preceding accounting year.

5.2. The Bank will, on or before 30th June of every year identify its Material Subsidiaries. List of Material Subsidiary is as per Annexure.

6. CORPORATE GOVERNANCE REQUIREMENTS IN CASE OF DEALING WITH SUBSIDIARIES

6.1. In case of Unlisted Material Subsidiary:

- i. At least one independent director on the Board of the Bank shall be a director on the Board of Directors of the unlisted material subsidiary, whether incorporated in India or not, ***provided such an action does not violate any of the provisions of the SBI Act, SBI General Regulations and Government of India/ Reserve Bank of India directives.***

Explanation: For the purposes of this provision, 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 Bank and its subsidiaries in the immediately preceding accounting year.

- ii. The material unlisted subsidiary incorporated in India shall undertake secretarial audit and shall annex with Bank’s annual report, a secretarial audit report, given by a Company Secretary in practice in such form as may be specified by SEBI.

6.2. In case of Material Subsidiary (Listed and Unlisted):

- i. Any disposal of shares in its material subsidiary which would reduce the Bank's shareholding (either on its own or together with other subsidiaries) to less than **or equal to** fifty percent or cease the exercise of control over the subsidiary will require a special resolution to be passed in the General Meeting of the Bank except in case where such divestment is made under a scheme of arrangement duly approved by Court / Tribunal or under a resolution plan duly approved under Section 31 of the insolvency code. Also, such event shall be disclosed to the stock exchange within one day of resolution plan being approved.
- ii. Prior approval of shareholders of the Bank will also be required, by way of special resolution, for selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year. However, such approval shall not be required in case the sale/disposal/lease is made under a scheme of arrangement duly approved by Court/Tribunal or under a resolution plan duly approved under section 31 of the insolvency code. Also, such event shall be disclosed to the stock exchange within one day of resolution plan being approved.
- iii. Details of material subsidiaries of the Bank including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries shall be disclosed in the annual report of SBI.

6.3. In case of Unlisted Subsidiary (material and non-material):

- i. The Audit Committee of Board of the Bank shall also review the financial statements, in particular the investments, made by the unlisted subsidiaries.
- ii. The management of the unlisted subsidiary company shall, at least at half yearly intervals, bring to the notice of the Central Board of the Bank, a statement of all Significant transactions and arrangements entered into by such unlisted subsidiaries.

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.

- iii. The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meetings of the Central Board of the Bank.

6.4. In case of Listed Subsidiary (material or non-material):

- i. Where the Bank has a listed subsidiary, which is itself a holding company, the provisions of the Regulation 24 of SEBI (LODR) Regulations, 2015 shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

7. OWNERSHIP & REVIEW OF THE POLICY

- 7.1. This Policy is owned by Shares and Bonds department and is subject to updating / review, on account of any change in regulatory requirements or as may be required to do so from time to time. The Central Board shall review the policy annually or as and when required.
- 7.2. The Shares & Bonds Department of the Bank or any other department as may be directed by the Central Board shall be empowered to submit the review / for updating this Policy.
- 7.3. If any change is subsequently approved to this policy, consequent upon any change in regulatory guidelines/operating instructions etc., such changes with the approvals of the designated authority shall be deemed to be a part of the policy till the policy is comprehensively reviewed. The Shares & Bonds Department will be responsible for the implementation and monitoring of this policy in terms of applicable SEBI guidelines.

8. DISCLOSURE

1. The Policy shall be disclosed on the Bank's website and a web-link thereto shall be provided in the Annual Report.
2. The separate audited financial statements of each subsidiary of the Bank shall be placed on the website, in respect of a relevant financial year, at least 21 days prior to the date of the annual general meeting which has been called to inter alia consider accounts of that financial year
Provided that a listed entity, which has a subsidiary incorporated outside India—

(a) where such subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such subsidiary is placed on the website of the listed entity;

(b) where such subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed entity may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website;

3. The Bank shall disclose all events or information to the stock exchange with respect to subsidiaries which are material for the Bank.

ANNEXURE

9. Annexure to Policy for Determining Material Subsidiaries and corporate governance requirements with respect to subsidiaries

List of Material Subsidiaries as on 31.03.2024

Material Listed Subsidiary

- i. SBI Life Insurance Company Limited

Material Unlisted Subsidiary

Nil
