

Policy for Determination of Material Subsidiaries for FY 2023-2024

Division: Group Business Management Division

Version: 2023_GBMD_2.0



...the name you can BANK upon!



Policy Custodian

Division	Group Business Management Division
Officer in-charge	Divisional Head
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Policy Version Control

S.No.	Version Number	Version Date	Summary of changes
1.	2022_GBMD_1.0	28.09.2022	Approved/Noted with no changes.
2.	2023_GBMD_2.0	28.02.2023	PNB Board in its meeting held on 27.03.2019 directed to place the information at Para 5 (b) (ii) (iii).The directions of the Board are captured at the respective para(s) by making suitable modification.

Policy Governance

Frequency Of Review	Annual
Last reviewed on	28.09.2022
Approval Path	Audit Committee of Executive → Audit Committee of Board → Board of Directors
Supersedes	Policy on Determination of Material Subsidiaries F.Y 2022-2023

ਪੰਜਾਬ ਨੇਸ਼ਨਲ ਬੈਂਕ
समूह व्यवसाय प्रबंधन प्रभाग, प्रधान कार्यालय
PUNJAB NATIONAL BANK
GROUP BUSINESS MANAGEMENT DIVISION, HEAD OFFICE

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<p>समूह व्यवसाय प्रबंधन प्रभाग प्रधान कार्यालय, चौथी मंजिल, पूर्वी विंग, सेक्टर -10, द्वारका, नई दिल्ली-110075 फ़ोन नंबर: 011-28044169, 28044351 ईमेल: gbmd@pnb.co.in</p>	<p>Group Business Management Division Corporate Office, 4th Floor, East Wing Sector 10, Dwarka, New Delhi – 110075 Ph. No.: 011-28044169, 28044351 Email: gbmd@pnb.co.in</p>
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1. Policy Overview

- 1.1 Our Bank is a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. The Bank is also a listed entity and is therefore required to comply with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {hereinafter referred to as 'SEBI (LODR) Regulations'} and other Guidelines issued by the Securities Exchange Board of India (SEBI) from time to time, in this regards.
- 1.2 Policy was last reviewed on 28.09.2022 by the Board in terms of the SEBI LODR Regulations, 2015 for placing the same on the website of the Bank.

2. Policy Details- Background, Objective & Scope and Applicability

- 2.1 This policy shall be called "Policy for Determination of Material Subsidiaries" ("Policy").
- 2.2 This Policy outlines the basis for Determination of 'Material Subsidiaries', in terms of the provisions of SEBI (LODR) Regulations and provides for the general and special considerations for corporate governance practices to be followed in respect of all subsidiaries and material subsidiaries, respectively.
- 2.3 Regulation 16(1)(c) of SEBI (LODR) Regulations mandates a listed entity to formulate a Policy for determination of 'material' subsidiary.
- 2.4 Regulation 46(2)(h) and Regulation 62(1A)(h) of SEBI (LODR) Regulations mandates on Disclosure of Policy for determination of "material" subsidiaries on Bank's website.

3. Definitions.

- a. "**Audit Committee**" means Committee of Board of Directors of the Bank constituted in-pursuance of the directives of Reserve Bank of India.
- b. "**Bank**" means the Punjab National Bank (PNB), constituted under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970.
- c. "**Board**" means the Board of Directors of the Bank in terms of Section 9 (3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.
- d. "**Company**" means a company incorporated under Companies Act, 2013 or under any previous company law.
- e. "**Listed Company**" means a company which has any of its securities

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listed on any recognised stock exchange.

- f. **“Subsidiary Company”** in relation to the PNB (as defined under sub-section (87) of section 2 of the Companies Act, 2013 means a company in which PNB
 - i. controls the composition of the Board of Directors; or
 - ii. exercises or controls more than half of the total voting power either on its own or together with one or more of its subsidiary companies.
- g. **“Material subsidiary”** shall mean a subsidiary, whose 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. {As defined in Listing Regulation 16(1) (c) of SEBI (LODR) Regulations}.
- h. **“Significant transaction or arrangement”** as defined under SEBI LODR Regulation 24(4), 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 as on/for the immediate preceding accounting year.
- i. **“Net worth”** means aggregate value of the paid up share capital and all reserves created out of the profits and security 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.
- j. **“Insolvency Code”** means the Insolvency and Bankruptcy Code, 2016.

4. Determination of Material Subsidiary

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 subsidiary companies in the immediately preceding accounting year.

The detail list of Bank’s subsidiaries as categorised for this policy is annexed as per **Appendix A** of this policy. As evident from **Appendix A**, PNB had **no** Material Subsidiary as on date.

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5. Corporate Governance requirements in case of dealing with Subsidiaries

a. Special Provisions for Material Subsidiary Companies: (Regulation 24 & 24A of SEBI (LODR) Regulations)

- i. At least one independent director on the Board of Directors of the Bank is a director on the Board of Directors of the unlisted material subsidiary, whether incorporated in India or not.
Explanation: For the purposes of this provision only (i.e. Para 5.a.i), 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 its annual report, a secretarial audit report, given by a company secretary in practice in such form as may be specified by SEBI w.e.f. year ended March 31, 2019.
- iii. 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 50%; or cease to exercise the control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment 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 resolution plan being approved.
- iv. 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 shall require prior approval of shareholders by way of special resolution unless the sale/disposal/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 stock exchanges within one day of resolution plan being approved.

b. General Provisions for all Subsidiary Companies: (Regulation 24 of SEBI (LODR) Regulations)

- i. The Audit Committee of the Bank shall annually review the financial statements, in particular, the investments, made by the unlisted subsidiaries based on audited financial statements
- ii. The Management of the unlisted subsidiary company shall, at least at quarterly intervals, bring to the notice of the Board of Directors of the Bank, a statement of all Significant transactions and arrangements

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entered into by such unlisted subsidiaries.

- iii. The minutes of the meetings of the Board of Directors of the unlisted subsidiaries shall be placed quarterly, at the meetings of the Board of the Bank.
- iv. Where the Bank has a listed subsidiary, which is itself a holding company, the provisions of this Regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

2. Disclosure of the Policy:

The Policy shall be disclosed on the Bank's website and a web-link thereto shall be provided in the Annual Report as per the provisions of Regulation 46(2) (h) and Regulation 62(1A)(h) and Schedule V-Para C point no.10(e) of SEBI (LODR) Regulations relating to 'Other Disclosures in Corporate Governance Report'.

3. Ownership of the Policy:

Group Business Management Division

4. Validity and Review of the Policy:

- i. The above policy is valid upto 31.03.2024.
- ii. The policy shall be subject to annual review.
- iii. Further, Functional Committee (being Audit Committee of Executives) headed by Executive Director shall be authorised to:
 - a) incorporate any changes necessitated in the policy for the interim period up to the next review, due to regulatory pronouncements made during the validity period of the policy; and
 - b) extend validity of the policy for period up to three (3) months."

5. Reporting:

There is no such requirement to report any statutory /regulatory bodies.

6. Relaxation/Deviation/Exclusion: NIL

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Appendix A

Position of Subsidiaries of the Bank

(Amt in INR Cr)

Sr. No	Subsidiary	Income 31.03.2022 (Audited)	Net Worth 31.03.2022 (Audited)	% of subsidiary income to PNB consolidated income	% of subsidiary net worth to PNB consolidated net worth
PNB (Consolidated Audited Figures) based on Audited Financials as of 2021-22		88339.49	97581.92	<10%	<10%
1	PNB International Ltd, UK	321.21	1237.46	0.36	1.27
2	Druk PNB Bank Ltd, Bhutan**	146.25	211.39	0.17	0.22
3	PNB Investment Services Ltd	12.10	46.99	0.01	0.05
4	PNB Cards and Services Ltd	3.23	15.13	0.00	0.02
5	PNB Gilts Ltd	991.63	1426.63	1.12	1.46

*PNB Insurance Broking Company is subsidiary of PNB and is under liquidation and winding up process.

**Financial year of Druk PNB Bank Ltd is from 01st January to 31st December.

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Appendix B

Glossary

GBMD	Group Business Management Division
SEBI	Securities and Exchange Board Of India
SEBI (LODR) Regulations, 2015	SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015
RBI	Reserve Bank Of India

List of References:

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended upto 17.01.2023.