

Policy on

**Determining Material Subsidiaries and
Corporate Governance Requirements with
Respect to Subsidiaries**

2018-19

Shares & Bonds Department



Corporate Centre, State Bank Bhavan, Mumbai-400021

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) Regulation 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 (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 will be framed and amended from time to time 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 subject to the exemptions mentioned in the policy.

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 the 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 on its own or together with one or more of its subsidiary companies.
- 4.6 “**Significant transaction or arrangement**” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the least of the (i) total revenues or (ii) total expenses or (iii) total assets or (iv) total liabilities, as the case may be, of the unlisted subsidiary as on/for the immediate preceding accounting year.

5. DETERMINATION OF MATERIAL SUBSIDIARIES.

- 5.1. A subsidiary company of the Bank will be treated as a Material Subsidiary, if either its income or net worth exceeds ¹**ten percent** of the consolidated income or net worth respectively, of the Bank and its subsidiary companies in the immediately preceding accounting year.

¹ The change from Twenty percent to Ten percent to be effective from April 01, 2019.

- 5.2. The Bank will, on or before 30th June of every year identify its Material Subsidiaries.

6. 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 Directors of the Bank is 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.
 - a. 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 to 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.

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 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 arrangements duly approved by Court/Tribunal.
- 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 arrangements duly approved by Court/Tribunal.

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

- i. The Audit Committee 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 Board of Directors of the Bank, a statement of all significant transactions and arrangements entered into by such unlisted subsidiaries.
- 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 this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

7. EXEMPTIONS TO THE POLICY.

- 7.1. Subsidiary companies of the Bank, constituted outside of India, are exempted from the scope of this policy except for the appointment of Independent Director in terms of revised Regulations 24(1) of SEBI (LODR) Regulations 2015.

8. OWNERSHIP & REVIEW OF THE POLICY.

- 8.1. This Policy is owned by Shares and Bonds department and is subject to updation/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.
- 8.2. 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/ updation of this Policy.
- 8.3. 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 apart of the policy till the policy is comprehensively reviewed

9. DISCLOSURE

The Policy shall be disclosed on the Bank's website and a web-link thereto shall be provided in the Annual Report.