

## **POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARY 2016-17**

### **1. Introduction**

The Board of Directors (the “Board”) of Union Bank of India (the “Bank”) has adopted this policy and procedures thereto with regard to determination of Material Subsidiaries. The Audit Committee of the Board is empowered to review and may amend this policy from time to time.

### **2. Objective**

The Policy was framed as per the requirements of the clause 49 of the erstwhile Listing Agreement entered into by the Bank with the Stock Exchanges and has been amended to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) effective from December 01, 2015. The Policy is formulated for determining Material Subsidiary(ies) of the Bank.

### **3. Definitions**

“**Audit Committee or Committee**” means Committee of Board of Directors of the Bank constituted under provisions of Listing Agreement/s, the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970 and in pursuance of the directives of Reserve Bank of India and Government of India.

“**Board**” means Board of Directors of the Bank constituted in terms of Section 9(3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

“**Policy**” means ‘Policy for determining Material Subsidiary’.

“**Subsidiary Company**” or “**Subsidiary**”, 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.”

## Policy for determining 'Material' Subsidiary

### Explanation—

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (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. Policy

**4.1. Determination of Material Subsidiary** - A subsidiary of the Bank shall be treated as a Material Subsidiary, if it fulfils any of the below mentioned conditions:

- a. The Net Worth (i.e. paid up capital and free reserves) of the subsidiary exceeds 20% of Consolidated Net Worth of the Bank and its subsidiaries as per the Audited Balance Sheet of the previous accounting year; or
- b. The Income of the subsidiary exceeds 20% of the Consolidated Income of the Bank and its subsidiaries in the immediately preceding accounting year.

The Bank will on or before 30<sup>th</sup> June of every year will identify the Material Subsidiary(ies).

### 4.2 Monitoring of Material Subsidiary(ies) (Listed/Unlisted):

The Bank, without the prior approval of the members by Special Resolution in its General Meeting, shall not:

- (i) dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50%; or cease the exercise of control over the subsidiary except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal.
- (ii) sell, dispose or lease of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

**4.3 Monitoring of Unlisted Material Subsidiary(ies), incorporated in India:**

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, incorporated in India.

**4.4 Monitoring of Unlisted Subsidiary (*Material/Immaterial*) -**

- a) The Audit Committee of the Bank shall review the financial statements, in particular, the investments made by the unlisted subsidiary.
- b) The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Bank.
- c) The management shall periodically bring to the notice of the Board of Directors of the Bank, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company, if any.

Explanation: "Significant Transaction or Arrangement" means 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 material unlisted subsidiary for the immediately preceding accounting year.

- 4.5 Where the Bank has a listed subsidiary which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

**5. Review of the Policy**

The policy is subject to updation/review on account of any change in regulatory requirements from time to time. The Audit Committee of the Board shall review the policy annually or as and when required.

**6. Disclosures**

The Policy for Determining Material Subsidiary 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 laws in force.