

Annexure B

Policy for Determining Material Subsidiary

15/03/2023



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1. INTRODUCTION

The Policy may be called the “POLICY FOR DETERMINING MATERIAL SUBSIDIARY” (hereinafter referred as “Policy”) of the Jammu and Kashmir Bank Limited (hereinafter referred to as “the Company or the Bank”).

This Policy sets out the criteria for the determination of material subsidiaries of the Bank and provides the framework for such determination in line with the requirements of regulation 16(1)(c) and regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 “Listing Regulations” (including any amendment, notification or circular issued thereto). In this backdrop, the Bank has formulated this policy in compliance with Listing Regulations which was approved by the Board on January 31, 2018 for implementation in the Bank and previously reviewed by the Board on February 08, 2022.

2. INTERPRETATION

In this Policy, unless the context otherwise requires, the terms and expressions used but not defined herein shall have the same meaning as are assigned to them under Regulation 2 of the Listing Regulations, the Companies Act, 2013, the Securities Contracts (Regulations) Act, 1956 or any other applicable laws or regulations, as the case may be.

3. DEFINITIONS

- a) “**Audit Committee**” means the Audit Committee of the Board constituted by the Board of Directors of the Bank from time to time under the provisions of the Companies Act, 2013 and the Listing Regulations and in pursuance of the directives of the Reserve Bank of India.
- b) “**Board of Directors or Board**” shall mean the Board of Directors of ‘Jammu & Kashmir Bank Limited’, as constituted from time to time.
- c) “**Independent Director**” means a Director of the Bank, as defined under the provisions of the Companies Act, 2013 and who also fulfils the criteria of independence as stipulated under Regulation 16(1)(b) of the Listing Regulations.
- d) “**Material Subsidiary**” shall mean such subsidiary as defined in Regulation 16 (1) (c) of the Listing Regulations which is as follows:-
“A subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.”
For the purposes of provisions of Regulation 24(1) of SEBI Listing Regulations, 2015, notwithstanding anything to the contrary contained in regulation 16, 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.
- e) “**Policy**” means policy for determining material subsidiary of the Bank.

- f) **“Significant Transaction or Arrangement”** means any individual transaction or arrangement that exceeds or is likely to exceed ten per cent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted material subsidiary for the immediately preceding accounting year.
- g) **“Subsidiary Company or Subsidiary”** means a subsidiary as defined under the Companies Act, 2013 and the rules made there under.

4. DETERMINATION OF MATERIAL SUBSIDIARIES.

In terms of regulation 16 (1) (c) of Listing Regulations, a subsidiary company of the Bank will be treated as a Material Subsidiary, if either 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.

In terms of regulation 24 (1) of Listing Regulations relating to Corporate governance requirements with respect to subsidiary of listed entity, at least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, 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.

(As on date, the Bank has only one unlisted subsidiary (JKB Financial Services Ltd.) whose income or net worth does not exceed ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

5. CORPORATE GOVERNANCE REQUIREMENTS WITH RESPECT TO SUBSIDIARY & MATERIAL SUBSIDIARY.

1. The Audit Committee of Board of the Bank shall review the financial statements, and in particular, the investments made by the unlisted subsidiary companies on annual basis.
2. The minutes of the board meetings of the unlisted subsidiary companies of the Bank shall be placed before the Board of the Bank in its meeting on a quarterly basis.
3. A statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company shall be placed before the Board of the Bank.
4. The Bank shall obtain a prior approval of its shareholders by way of special resolution to sell, dispose and lease the 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 or under a resolution Plan duly approved under section 31 of the Insolvency & Bankruptcy Code 2016 and such an event is disclosed to the Stock Exchanges within one day of the resolution plan being approved.
5. The Bank shall not dispose of shares in its material subsidiary resulting in reduction of its 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 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 & Bankruptcy Code 2016 and such an event is disclosed to the Stock Exchanges within one day of the resolution plan being approved.

6. At least one Independent Director of the Bank shall be a Director on the Board of Directors of an unlisted material subsidiary, incorporated in India or not.
7. The Bank and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the Bank.
8. Any other requirement as may be notified by the SEBI from time to time.

6. LISTED SUBSIDIARY

If the Bank at any time has a listed subsidiary which is itself a holding company, the provisions of Regulation 24 of the Listing Regulations relating to Subsidiary Companies shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

7. DISCLOSURE OF POLICY

As mandated under the Listing Regulations, this Policy shall be disclosed on the Bank's website i.e. www.jkbank.com and a web link thereto shall be provided in the Annual Report, besides any other disclosure required under the law.

8. REVIEW OF THE STATUS OF MATERIAL SUBSIDIARIES OF THE BANK BY THE AUDIT COMMITTEE

The Audit Committee of the Board in its first meeting of every financial year shall review the status of its Subsidiaries to identify whether any Subsidiary is required to be treated as a Material Subsidiary or any Material Subsidiary ceases to be as such. The details of such review shall be disclosed to the Board for taking necessary action.

9. OWNERSHIP & REVIEW OF THE POLICY.

The policy shall be subject to biennial review on account of any change in regulatory /statutory requirements or as may be required to do so from time to time. The Board Secretariat shall be responsible for placing the review of the Policy before the Audit Committee of the Board and its subsequent approval by the Board. The approved revised Policy will remain in force till the next review. In the event of any change in regulatory guidelines/statutory provisions /operating instructions etc., the same shall be deemed to be part & parcel of this policy for operational purposes with immediate effect till the policy is reviewed.

Annexures: Nil



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