Poonawalla Fincorp Limited

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Policy for determining Material Subsidiaries

Version No. 6

Policy for determining Material Subsidiary

Contents

Introduction

Regulation 16(1)(c) of the SEBI Listing Regulations mandates all listed companies to formulate a policy for determining material subsidiary(ies). In this regard Poonawalla Fincorp Limited (herein referred to as the '**Company**' or '**PFL**') has amended the existing Policy for determining Material Subsidiaries in line with the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. ("Listing Regulations")

Objective

As the name suggests, material subsidiaries of the Company have a significant impact on the financials of the Company and therefore warrants a proper procedure for their identification. The objective of this Policy is to lay down the process for identification of such Material Subsidiaries and the manner in which transactions may be entered into with such Material Subsidiaries. The Policy shall further ensure governance of such Material Subsidiary companies.

Definitions

"**Act**" means the Companies Act, 2013 & rules made there under.

"**Audit Committee or Committee**" means Audit Committee constituted by the Board of Directors of the Company, from time to time, under provisions of section 177 of the Act and Regulation 18 of SEBI Listing Regulations.

"**Board**" or "**Board of Directors**" means the Board of Directors of PFL, as constituted from time to time.

"**Company**" means Poonawalla Fincorp Limited (PFL).

"**Material Subsidiary(ies)**" means a subsidiary company, whose turnover or net worth exceeds 10% (ten percent) of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

A list of such Material subsidiaries shall be presented to the Audit Committee annually for its noting.

"Net Worth" means net worth as defined under Section 2(57) of the Act

"**Unlisted Subsidiary(ies)**" shall mean a Subsidiary which is incorporated in India or otherwise, and is not listed on the Stock Exchanges.

"**Policy**" means this Policy for determining Material Subsidiaries.

"Significant Transaction or Arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (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.

Subsidiary(ies)" means a subsidiary as defined under sub-section (87) of section 2 of the Act .

Interpretation

Any words used in this policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Listing Regulations, or any other relevant legislation/ law applicable to the Company including any amendments thereto.

a) Company shall place before the Audit Committee and Board of Directors, quarterly and Annual Financial results/ statement of all its Subsidiaries, indicating the quantum of turnover and net worth of the subsidiaries, and consolidated turnover and net worth of the Company as per audited balance sheet of the previous financial year.

b) Once a Subsidiary is identified as Material Subsidiary, the Company shall adhere to the following procedures:

   i. PFL shall not dispose off 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 50% (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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

   ii. Any sale , disposal and lease by PFL of assets amounting to more than 20% (twenty percent) of the assets of the material subsidiary on an aggregate basis during any 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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved
   However, the same shall not apply be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company

   iii. At least one independent director on the Board of PFL shall be a director on the Board of the Unlisted Material Subsidiary, whether incorporated in India or not.

   Notwithstanding anything to the contrary contained in Definitions clause above, for the purpose of this clause the term "**material subsidiary**" shall mean a subsidiary, whose turnover or net worth exceeds 20% (twenty percent) of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

   iv. Material unlisted subsidiary, incorporated in India, shall undertake secretarial audit by a secretarial auditor who is a peer reviewed Company secretary and shall annex with its annual report, a secretarial audit report, given by a peer reviewed company secretary in practice in such form as may be prescribed.

General Compliances in respect of other Subsidiaries

Apart from the above, the following general compliances shall be adhered to by the Company with respect to all its Unlisted Subsidiaries, whether or not they are Material Subsidiaries:

a) The management of the unlisted Subsidiary shall bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary on a quarterly basis.

b) The Audit Committee and the Board of Directors of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary.

c) The minutes of the Board meetings of the Unlisted Subsidiary shall be placed at the subsequent Board meeting of the Company.

d) The Audit Committee of the Company shall review the utilization of loans and/ or advances from/ investment by the Company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.

e) The related party transactions of the subsidiaries of the Company shall be shared with the compliance department of the Company for disclosure under Regulation 23(9) of Listing Regulations and placed for approval of the Audit Committee/ Shareholders of the Company, as the case may be, in accordance with the Related Party Transaction Policy of the Company.

f) The Company shall disclose all events or information with respect to its subsidiaries, which are material for the Company as defined/ determined in the Policy of Determination of Materiality in the manner as provided in the said policy and the applicable law

g) Separate audited financial statements of each subsidiary in respect of a relevant financial year shall be uploaded on the website of the Company at least 21 days prior to the date of the annual general meeting of the Company.

Disclosures and Amendments

a) The Policy for determining Material Subsidiary, duly approved by the Board of Directors shall be placed on the website of the Company and a weblink thereto shall be provided in the Annual Report of the Company.

b) The Board of Directors shall have the power to amend any of the provisions of this Policy, substitute any of the existing provisions with a new provision or replace this Policy entirely with a new Policy to ensure compliance with the applicable laws, as amended, based on the recommendations of the Audit Committee.