



MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

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POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. Prelude

The Board of Directors (the “Board”) of Mahindra & Mahindra Financial Services Limited (“MMFSL” or the “Company”) has adopted the following policy and procedures with regard to determination of material subsidiaries, in line with the requirements of the Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”) on Corporate Governance.

The Board may, subject to applicable laws review and amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

2. Intent of the Policy

This policy is framed as per requirements of the Regulation 16 (1) (c) of the Listing Regulations

Explanation to Regulation 16 (1) (c) provides that the company shall formulate a policy for determining ‘material’ subsidiaries.

The objective of this Policy is to determine (a) meaning of Material Subsidiary (b) requirement of appointing an Independent Director of the Company on the Board of certain Material Unlisted Material Indian Subsidiaries (c) Restriction on disposal of shares of Material Subsidiaries by the Company (d) Restriction on Selling, Disposing and Leasing transfer of assets of Material Subsidiary (e) Secretarial Audit of Material unlisted subsidiaries and (f) Disclosure requirements, based under the Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. Applicability and Legal Framework

This Policy on Material Subsidiaries shall be governed by Regulation 24 of the Listing Regulations or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

4. Definitions

- (i) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with section 177 of the Companies Act, 2013 and read with Regulation 18 of the Listing Regulations with the Stock Exchange.
- (ii) **“Board of Directors”** or the **“Board”** means the Board of Directors of MMFSL, as constituted from time to time.
- (iii) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iv) **“Independent Director”** means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Regulations .
- (v) **Material Subsidiary**

Unless specified otherwise, a “Material Subsidiary” shall mean 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 [16(1)(c)].

- (vi) **“significant transaction or arrangement”** 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 for the immediately preceding accounting year. [*Explanation to Regulation*

24 (4)]

- (vii) **“Subsidiary”** shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation and amendments thereto.

5. Policy

A subsidiary shall be considered as **Material** if-

- net worth exceeds 10% of the consolidated net worth of the Company as per the audited balance sheet of the previous financial year; or
- income exceeds 10% of the consolidated income of the Company as per the audited balance sheet of the previous financial year.

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

6. Requirement regarding Material Unlisted Material Subsidiary

At least one Independent Director on the Board of the Company shall be a director on the board of the Unlisted Material Subsidiary, whether incorporated in India or not.

For the purpose of compliance with the above, the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

7. Disposal of Material Subsidiaries

- (i) The Company, without passing a Special Resolution in its General Meeting, shall not:

- a) dispose shares in the Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%*; or

b) cease the exercise of control over the Subsidiary*; [Regulation 24 (5)]

* except in case 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 ('Insolvency Code') and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

(ii) The Company without prior approval of Shareholders by way of a Special Resolution shall not sell, dispose or lease the assets amounting to more than twenty per cent 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.

8. Financial Statements and Minutes of Unlisted Subsidiaries

The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the Unlisted Subsidiary Companies of the Company.

The minutes of the Meetings of the Board of Directors of the Unlisted Subsidiary Companies of the Company shall be placed at the Meeting of the Board of Directors the Company.

9. Secretarial Audit

Every Material Unlisted Subsidiary of the Company 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.

10. Disclosures

This policy shall be hosted on the Company's website at www.mahindrafinance.com.

11. Review of the Policy

This Policy shall be subject to review as may be deemed necessary as per any regulatory amendments.