

POLICY ON DETERMINATION OF MATERIAL SUBSIDIARIES
OF
Navi Finserv Limited



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Approved by	Board of Directors
Periodicity of Review	Once in three years

<u>Date of Review / Amendment</u>	<u>Particulars</u>	<u>Next date of review</u>
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POLICY ON MATERIAL SUBSIDIARIES

1. INTRODUCTION

- 1.1. Navi Finserv Limited (the '**Company**') is governed by the Companies Act, 2013 and rules and regulations framed by the Securities and Exchange Board of India ('**SEBI**').
- 1.2. The Company qualifies as a High Value Debt Listed Entity ("**HVDLE**") in terms of Regulation 15 and Regulation 62C of the SEBI Regulations (*as defined hereinafter*) as it has non convertible debt securities listed, with an outstanding value of Rupees One Thousand Crore. The Board of Directors ("**Board**") of the Company has adopted this policy for determining 'material' subsidiary' of the Company ("**Policy**") in accordance with the provisions of Regulation 62L of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Regulations**"), to *inter alia* determine the Material Subsidiaries and Unlisted Material Subsidiaries of the Company and to establish an effective governance and oversight framework for such subsidiaries in line with applicable regulations.

2. DEFINITIONS

For the purpose of this Policy, the following terms shall have the meanings assigned below:

- (a) "**Act**" means Companies Act, 2013, and the rules made thereunder, including any statutory modifications, amendments, or re-enactments thereof.
- (b) "**Audit Committee**" means the committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act, and Regulation 18 and Regulation 62F of the SEBI Regulations.
- (c) "**Board**" means Board of Directors of the Company, as constituted from time to time.
- (d) "**Control**" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (e) "**Independent Director**" shall mean a director of the Company who meets the criteria of independence prescribed under Section 149(6) of the Act and/or Regulation 16(1)(b) of the SEBI Listing Regulations, as applicable..
- (f) "**Material Subsidiary**" shall mean a Subsidiary of the Company which meets the requirements of Section 3.1 of this Policy.
- (g) "**Significant transaction or arrangement**" shall mean 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 Unlisted Material Subsidiary for the immediately preceding accounting year.
- (h) "**Subsidiary**" shall have the meaning assigned under Section 2(87) of the Act, and the rules made thereunder.

- (i) **"Unlisted Subsidiary"** means Subsidiary whose securities are not listed on any recognized stock exchanges.

3. CRITERIA FOR DETERMINING MATERIAL SUBSIDIARY

- 3.1. A Subsidiary shall be considered as **"Material"** Subsidiary, if any of the following conditions are satisfied:
- 3.1.1. If the income exceeds twenty percent of the consolidated income of the Company and its subsidiaries in the immediately preceding accounting year.
 - 3.1.2. If the net worth exceeds twenty percent of the net worth of the Company and its subsidiaries in the immediately preceding accounting year.

4. GOVERNANCE FRAMEWORK

- 4.1. This governance framework has been formulated in accordance with Regulation 62L of the SEBI Regulations, and applies to Material Subsidiaries, including those incorporated outside India:
- 4.1.1. At least one Independent Director on the Board of Directors of the Company shall be a director on the Board of Directors of an Unlisted Material Subsidiary Company, incorporated in India or not.
 - 4.1.2. The Audit Committee shall also review the financial statements, in particular, the investments made by the Unlisted Material Subsidiary of the Company on an annual basis.
 - 4.1.3. The minutes of the meetings of the board of directors of the Unlisted Material Subsidiary shall be placed before the Board of the Company at regular intervals.
 - 4.1.4. The Board shall be provided periodically a statement of all Significant Transactions and arrangements entered into by the Unlisted Material Subsidiary Company.
 - 4.1.5. The Company shall obtain prior approval of shareholders by way of special resolution, if the disposal of shares in its Material Subsidiary (either on its own or together with other subsidiaries) results in reduction of its shareholding, to less than 50 percent or the Company relinquishes Control over such Subsidiary. Such approval shall not be required if the disinvestment is: (a) under a scheme of arrangement duly approved by a Court/Tribunal, or (b) under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
 - 4.1.6. The Company shall obtain prior approval of shareholders by way of special resolution, if any sale, disposal and leasing of assets amounting to more than 20 percent of the assets of the Material Subsidiary on an aggregate basis during a financial year. Such approval shall not be required, if such sale, disposal, lease of assets is: (a) under a scheme of arrangement duly approved by a Court/Tribunal, or (b) under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

- 4.1.7. Every Material Unlisted Subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with the annual report of the Company.

5. **IMPLEMENTATION OF THIS POLICY**

This Section outlines the responsibilities of various Board / management committees in relation to the implementation of this Policy:

Audit Committee of the Board	(a) Review and recommend to the Board to approve any modifications to this Policy, atleast once every three years, or as may be required, from time to time.
Secretarial Department	<p>(a) Ensuring that the Company's website discloses this Policy, and the annual report of the Company carries a web-link to the specific site where the Policy is hosted on the website of the Company.</p> <p>(b) Ensuring that the details of the secretarial audit of the Material Unlisted Subsidiary incorporated in India, shall be annexed in the Company's annual report.</p>

6. **REVIEW OR AMENDMENTS TO THE POLICY**

- 6.1. The Policy shall be amended or modified with the approval of the Board. The Policy shall be reviewed by the Board at least once every three years. Any amendments or modifications to this Policy shall be approved by the Board, on the basis of the recommendations of the Audit Committee of the Board.'
- 6.2. Without prejudice to the foregoing, in the event the Policy requires to be amended to take into account any changes (whether on account of repeal of any existing law, or otherwise) in any existing regulation, law or policy (or any clarification with respect to any existing regulation, law or policy), the Managing Director of the Company may approve such changes to the Policy as may be required to comply with such changes, or clarifications. Any such changes approved by the Managing Director shall be placed before the Audit Committee and the Board, in its immediately succeeding meeting, for ratification by the Audit Committee and the Board.
- 6.3. Notwithstanding anything contained in this Policy, in case of any contradiction of any provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

7. DISCLOSURES

- 7.1. The Company shall disclose in its Board's report, details of this Policy as required under the Act and the SEBI Regulations.
- 7.2. This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report of the Company.