



HEG LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARY

Approved by Board of Directors at its meeting held on 7th November, 2015 and modified on 31st October, 2018

1. INTRODUCTION

SEBI has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") on September 2, 2015. As per Regulation 16 of the Listing Regulations, every listed entity is required to frame a policy for determining 'material' subsidiary.

In compliance with the aforementioned statutory requirements, the Company has formulated this policy for determining 'material' subsidiary of the Company.

2. IDENTIFICATION OF 'MATERIAL' SUBSIDIARY

A subsidiary shall be considered as 'material':

whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

3. GOVERNANCE FRAMEWORK WITH RESPECT TO SUBSIDIARY OF THE COMPANY

- (i) 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, whether incorporated in India or not, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.
- (ii) The audit committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- (iii) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Company.
- (iv) The management of the unlisted subsidiary shall periodically 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.

Explanation.-

The term "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 material subsidiary for the immediately preceding accounting year.

- (v) The Company 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 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.
- (vi) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company by way of special resolution, unless the sale / disposal / lease is made under a scheme of arrangement duly approved by a Court/Tribunal.
- (vii) Where the Company has a listed subsidiary, which is itself a holding company, the provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.
- (viii) **Every Company and its material unlisted subsidiaries 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 prescribed with effect from 1st April, 2019.

4. **POLICY REVIEW**

This policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

5. **DISPLAY**

This policy of the Company shall be displayed on the Company's website and intranet.