

SCHAEFFLER INDIA LIMITED

Policy on determination of Material Subsidiary



1. PREAMBLE

The purpose of this Policy is to establish criteria for the determination of 'Material' Subsidiary Company(ies) of Schaeffler India Limited [hereinafter referred to as 'the Company'] and to provide the governance framework for subsidiaries of the Company, as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI Listing Regulations").

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under SEBI Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 ("Act") and the Rules, Notifications and Circulars made/ issued thereunder, as amended, from time to time.

2. DEFINITIONS

- 2.1. **"Board of Directors" or "Board"** means the Board of Directors of Schaeffler India Limited, as constituted from time to time.
- 2.2. **"Policy"** means this Policy, as amended from time to time.
- 2.3. **"Subsidiary"** shall mean a subsidiary as defined under the provisions of section 2(87) of the Companies Act, 2013 (which is reproduced hereunder for easy reference) read with prevailing Rules made thereunder.

"Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company;

- i. Controls the composition of the Board of Directors: or
- ii. Exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause, —

- (a) company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some

power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) the expression company includes any body corporate;

(d) "Layer" in relation to a holding company means its subsidiary or subsidiaries;

2.4. Material Subsidiary:

Unless otherwise expressly defined in this policy, Material Subsidiary shall mean a Subsidiary, whose income or net worth exceeds 10% [Ten Percent] of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding Accounting Year.

2.5. **'Financial Year'** or **'Accounting Year'** shall mean a period of 12 months commencing from January 1, every year.

2.6. **"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 subsidiary for the immediately preceding accounting year.

3. PURPOSE & SCOPE

The scope under this Policy is restricted to the determination of "Material" Subsidiary under the prevailing provisions of the Companies Act, 2013 read with Rules made thereunder and the SEBI Listing Regulations, as amended from time to time and to provide Corporate Governance Framework with respect to Subsidiaries of the Company. This Policy shall be deemed to have come into force with retrospective effect from December 1, 2015.

In the event of any conflict between the provisions of this Policy and the SEBI Listing Regulations or the Act or any other relevant legislation/ regulation applicable to the Company, the provisions of the SEBI Listing Regulations or the Act or such other relevant law / regulation shall prevail over this Policy.

4. CORPORATE GOVERNANCE FRAMEWORK

4.1. 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, whether incorporated in India or not.

For the purpose of this sub-clause 4.1, the term "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% [twenty percent] of the

consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- 4.2. The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- 4.3. 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.
- 4.4. 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.
- 4.5. The Company shall not dispose of its 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- 4.6. Selling, disposing and leasing of assets amounting to more than 20% [Twenty Percent] of the assets of the material subsidiary on an aggregate basis during a 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved
- 4.7. The Company 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 Company.
- 4.8. The Company shall disclose events/information pertaining to its Subsidiary, in line with provisions of Regulation 30 of the SEBI Listing Regulations.

5. WEBSITE DISSEMINATION

As required under the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

6. AMENDMENTS

Statutory Updates

This Policy is designed particularly in line with the provisions of the SEBI Listing Regulations and the Policy shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any changes notified in the aforesaid Regulations. An update thereon would be reported to the Board of Directors.
