

Policy On Determination of ‘Material’ Subsidiary



1. PREAMBLE

The purpose of this Policy is to establish criteria for determination of 'Material' Subsidiary and Material Unlisted Indian Subsidiary of Schaeffler India Limited [hereinafter referred as 'the Company'] and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "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 share capital 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) 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 shall mean;

A Subsidiary, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% 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 material subsidiary for the immediately preceding Accounting Year.

3. SCOPE & APPLICABLE REGULATIONS

The scope of disclosure under this Policy is restricted to the determination of 'Material' Subsidiary under the prevailing provisions of the Companies Act, 2013, Rules and Regulations made thereunder and the Listing Regulations. This Policy shall be deemed to have come into force with retrospective effect from December 1, 2015.

4. POLICY & PROCEDURE

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, incorporated in India.



- 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 shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than 50 % 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.
- 4.6 Selling, disposing and leasing of assets amounting to more than 20% 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.
- 4.7 The Company shall disclose events / information pertaining to its Subsidiary, in line with provisions of Regulation 30 of the Listing Regulations.

5. AMENDMENTS

5.1 Statutory Updates

This Policy is designed particularly in line with provisions of the Listing Regulations and 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.

5.2 Other updates

All major procedural updates shall be effective only if those are carried out after the review and approval of the Board of Directors.

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