

POLICY ON DETERMINING MATERIAL SUBSIDIARIES

1. Background

Further to the requirements Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR 2015) as amended from time to time the Company has adopted the following policy and procedures with regard to determination of Material Subsidiaries.

2. Objective

The objective of this policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

3. Effective Date/ Applicability

The Board of Directors of the Company formulated the code effective from 1st October 2014. Subsequently revised the Code in compliance with the requirements under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time. Policy first amendment made by the Board of Directors at their meeting held on 26th May 2016 and second amendment made by the Board of Directors at their Meeting held on 08th February 2019. The policy is now revised in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 which shall come into force w.e.f.1st April 2019. The amended policy would come into effect from April 1, 2019.

4. Policy

A subsidiary shall be considered as Material if; subsidiary, whose income or net worth exceeds ten per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

A list of Material and Non Material subsidiaries will be presented to the Board annually for records. In addition to complying with the above threshold, Board/ management may decide the subsidiaries to be material based on business decisions.

5. Requirements regarding Material Subsidiaries

The minutes of meetings of the Board of Directors of Unlisted subsidiaries shall be placed at the Board Meeting of the Company (VA TECH WABAG LIMITED).

One Independent director of the Company shall be a director on the Board of the unlisted material subsidiary incorporated in India and Overseas. For this purpose A subsidiary shall be considered as Material if subsidiary, whose income or net worth exceeds twenty per cent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

The Audit Committee of the Board shall review the following:

- 1. Financial statements, in particular, the investments made by the unlisted subsidiary.
- 2. The utilization of loans and/ or advances from/investment by the company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.



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.

Audited Annual Financial Statements of subsidiaries shall be hosted on the website of the holding Company 21 days before the date of AGM.

The statutory auditor of a Company shall undertake a limited review of the audit of all the entities/ companies whose accounts are to be consolidated with the Company as per AS 21.

Material unlisted subsidiaries incorporated in India if any shall undertake secretarial audit and shall annex with its annual report of the Company, a secretarial audit report, given by a company secretary in practice.

The Company, without prior approval of the members by Special Resolution shall not;

- a. dispose of shares in Material Subsidiary which would reduce its shareholding to less than 50% or cease to exercise control over the subsidiary
- b. sell, dispose or lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year.

Special Resolution is not required in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

6. Amendments/ Policy Review

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of SEBI LODR 2015.

In case of any conflict between the policy and the SEBI LODT 2015 / Companies Act, 2013 or any other statutory enactments and rules thereof or any subsequent changes in the provisions/ regulations and which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of SEBI LODR 2015/ Companies Act, 2013 or statutory enactments and rules thereof shall prevail over this Policy and the provisions in the policy would be modified in due course to make it consistent with law.

The Audit Committee ("the Committee")/ the Board reserves the right to review and amend the policy from time to time as and when required. .

7. Dissemination of policy

This policy shall be hosted on the website of the Company and a web link shall be provided in the Annual Report of the Company.

Original Policy Adopted on – 1st October 2014

First Revision – 26th May 2016

Second Revision - Revision w.e.f. 1st April 2019