

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

OBJECTIVE

- The objective of this Policy is to lay down criteria for identification of material subsidiaries of AF Enterprises Limited (“AFEL” or “the Company”) and formulate a governance framework for dealing with such material subsidiaries.
- This Policy is made in terms of the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) to determine material subsidiaries of the Company. In the event of any inconsistency between this Policy and the Listing Regulations, the Listing Regulations, as amended from time to time, will prevail over this Policy.

DEFINITIONS

➤ **Subsidiary:**

“Subsidiary(s)” shall mean subsidiary of the Company as defined under the Companies Act, 2013 (“2013 Act”).

➤ **Audit Committee:**

“Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of 2013 Act and Regulation 18 of the Listing Regulations.

➤ **Material Subsidiary:**

A Subsidiary shall be considered as material whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

➤ **Significant transactions or arrangements:**

Significant transactions or arrangements 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.

All capitalized terms used in this Policy but not defined herein shall have the meaning ascribed to such term in 2013 Act and the Rules framed there under or in the Listing Regulations, as amended from time to time.

POLICIES AND PROCEDURES

➤ **All Subsidiaries:**

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- a. Minutes of the Board meetings of all unlisted subsidiary companies shall be placed before the Board of Directors of AFEL;
- b. A statement of all significant transactions and arrangements entered into by the subsidiary companies shall be brought to the attention of the Board of Directors of AFEL on a periodic basis;
- c. Audit Committee of AFEL shall review the financial statements, in particular, the investments made by unlisted subsidiary companies on a periodic basis;

➤ **Material Subsidiaries:**

- a. at least 1 Independent Director on the Board of AFEL shall be appointed as a Director on the Board of unlisted Material subsidiary, whether incorporated in India or not; For the purpose of Para C(II), the term “Material Subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
 - b. Majority of Directors on the Board of a Material subsidiary incorporated outside India shall be nominated by AFEL.
 - c. The Company shall not:
 - i. Dispose of shares in its Material Subsidiary which would reduce 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 Tribunal;
 - ii. Sell, dispose or lease assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year without 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.
 - d. Material unlisted subsidiaries of the Company 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 specified.
- The Company shall follow such governance procedures in relation to its Subsidiaries as may be outlined in the Regulation 24 of the Listing Regulations and 2013 Act from time to time.
- The Management of the Company shall monitor and ensure that as and when any of the subsidiary is determined as a Material Subsidiary the same shall be intimated to the Audit Committee. The Audit Committee shall review the same and make suitable recommendations to the Board to ensure compliance with the Listing Regulations in this regard.

AMENDMENTS

This Policy may be amended by the Board from time to time to be in line with any amendments made to the Listing Regulations, 2013 Act or any other guidelines issued by SEBI or other statutory authorities.

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