

# Policy on material subsidiaries

## 1. PURPOSE

- 1.1 The Board of Directors (“**Board**”) of Sembcorp Energy India Limited (“**Company**” or “**SEIL**”), has adopted this policy for determining, *inter-alia*, ‘**material**’ subsidiaries of the Company and to provide a governance framework for such subsidiaries.
- 1.2 This policy is primarily framed based on the revised Clause 49 of the Listing Agreement (“**LA**”) entered into by the Company with the relevant stock exchanges and is primarily intended to ensure compliance with the LA, the LODR and other laws applicable to the Company.
- 1.3 The Effective date of Policy on Material Subsidiaries is **September 30, 2017** or the date of listing of securities of the company on any recognized stock exchange in India, whichever is earlier.
- 1.4 This policy shall be subject to review and changes as may be deemed necessary by the Board, from time to time to comply with the regulatory requirements.

## 2 DEFINITIONS

- 2.1 **Act** shall mean the (Indian) Companies Act, 2013, including any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent notified, and the (Indian) Companies Act, 1956 any amendments thereto and any rules, regulations, notifications and clarifications made thereunder, to the extent applicable and in force.
- 2.2 **Audit Committee or Committee** means Audit Committee constituted by the Board of Directors of the Company under the provisions of LA and the Act, from time to time.
- 2.3 **Holding Company** in relation to one or more other companies, means a company of which such companies are subsidiary companies.
- 2.4 **Independent Director** means an independent director referred to in Section 149(6) of the Act and clause 49 of the LA.
- 2.5 **LODR** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended and modified from time to time.
- 2.6 **Listed Company** means a company which has any of its securities listed on any recognized stock exchange.
- 2.7 **Material Subsidiary** a subsidiary shall be considered as material if the investment of the Holding Company in the Subsidiary exceeds 20% (twenty per cent.) of its consolidated net worth as per the audited balance sheet of the previous financial year or if the Subsidiary has generated 20% (twenty per cent.) of the consolidated income of the Holding Company during the previous financial year.
- 2.8 **Material Non-Listed Indian subsidiary** shall mean an unlisted Subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% (twenty per cent.) of the consolidated income or net worth respectively, of the Listed Holding Company and its Subsidiaries in the immediately preceding accounting year.

- 2.9 **Significant transaction or arrangement** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% (ten per cent.) of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the material unlisted subsidiary for the immediately preceding accounting year.
- 2.10 **Subsidiary Company or Subsidiary** shall have the same meaning as defined in section 2(77) of the Act.

### 3 POLICY

#### 3.1 Identification

##### 3.1.1 Identification of Material Subsidiary Company

A Subsidiary Company shall be considered as material if the investment of the Company in the subsidiary exceeds 20% (twenty per cent.) of its consolidated net worth as per the audited balance sheet of the previous financial year or if the Subsidiary has generated 20% (twenty per cent.) of the consolidated income of the Company during the previous financial year.

##### 3.1.2 Identification of Material Non-Listed Indian Subsidiary

A Subsidiary shall be considered to be a Material Non-Listed Indian Subsidiary if it is an unlisted Subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% (twenty per cent.) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

#### 3.2 Compliances with respect to Subsidiary Companies (including Material Subsidiary Companies and Material Non-Listed Indian Subsidiary Companies)

- 3.2.1 The Audit Committee shall review the financial statements of all Subsidiary Companies and, in particular, the investments made by the unlisted Subsidiary Companies.
- 3.2.2 The minutes of the Board meetings of the unlisted Subsidiary Companies shall be placed at the board meeting of the Company. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted Subsidiary Companies.

#### 3.3 Compliances with respect to Material Subsidiary Companies

- 3.3.1 The Company shall not 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% (fifty per cent.) 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.
- 3.3.2 Selling, disposing and leasing of assets amounting to more than 20% (twenty per cent.) 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.

#### 3.4 Compliances with respect to Material Non-Listed Indian Subsidiary Companies

As per clause 49 of the LA, at least 1 (one) independent director on the Board of Directors of the Company shall be a director on the Board of Directors of a Material Non-Listed Indian Subsidiary Company.

#### **4 DISCLOSURES**

This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.