

SWELECT ENERGY SYSTEMS LIMITED

POLICY ON MATERIAL SUBSIDIARIES

This policy has been amended by the Company at its Board Meeting held on 09.02.2024.

The Company is adopting the regulations as provided in the SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015, for the term 'Material Subsidiary' and the same is reproduced below:

Definition:

“material subsidiary” shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year.

The Audit Committee reviews the financials of each subsidiary company on a quarterly basis before submission to the Board. As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Income and net worth of each Subsidiary Company are compared with preceding accounting year's consolidated income and net worth of the Company for determining the material subsidiary.

Requirements with respect to Subsidiary Companies

- (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.

Explanation –

For the purpose of the above clause the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year

- (2) The audit committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.

- (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) 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.

Explanation.-

For the purpose of this clause, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent 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.

- (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 or equal to 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.

(6) Selling, disposing and leasing of assets amounting to more than 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.

(7) The 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.

Compliance

The Audit Committee and Board of Directors of the Company periodically reviews the compliance conditions of the above requirements and ensures proper compliance.

Amendment to the policy

The Board on its own and/or as per the recommendations of the Audit Committee can amend this policy, as and when it deems fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc., shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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