

REXNORD ELECTRONICS AND CONTROLS LIMITED

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POLICY FOR DETERMINING MATERIALITY OF SUBSIDIARIES

IMPORTANT DEFINITIONS

“**Material Subsidiary**” would imply a subsidiary whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of **Rexnord Electronics and Controls Limited** (“the Company”) and its subsidiaries in the immediately preceding accounting year.

“**Material Unlisted Indian Subsidiary**” would imply an unlisted subsidiary, incorporated in India, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

“**Significant Transaction and/or Arrangement**” would imply 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.

OBJECTIVE

The objective of this Policy is to determine:

- a) Meaning of Material Subsidiary
- b) Requirement of Independent Director in certain Material Unlisted Subsidiaries (incorporated in India or not)
- c) Restriction on disposal of shares of Material Subsidiary by the Company
- d) Restriction on transfer of assets of Material Subsidiary and
- e) Disclosure requirements based on SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

COMPLIANCES

Independent Director on the Board of Material Unlisted Subsidiary

At least One (1) Independent Director on the Board of the Company shall be a Director on the Board of a Material Unlisted Subsidiary whether incorporated in India or not

Explanation: - For appointing One (1) Independent Director on the Board of the of the UnListed Subsidiary, 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.

Significant Transactions and/or Arrangements of Unlisted Subsidiary Companies - The management shall periodically submit to the Board of Directors, a statement of all Significant Transactions and/or Arrangements entered into by Unlisted Material Subsidiary (ies).

Restriction on Disposal of Shares in Material Subsidiary by the Company:

The Company shall not dispose-off shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent [50%] or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in such cases where divestment is 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.

Restriction on Disposal of Assets of Material Subsidiary:

Selling, disposing and leasing of assets amounting to more than twenty percent [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 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.

GOVERNANCE FRAMEWORK

- a) Minutes of the Board Meetings of all Subsidiary Companies shall be placed before the Board of Directors of the Company on quarterly basis;
- b) A statement of all significant transactions and/or arrangements entered into by the Unlisted Subsidiary Companies during the quarter shall be brought to the attention of the Audit Committee of the Company on quarterly basis;
- c) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted Subsidiary Company on an annual basis;

DISCLOSURES:

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

AMENDMENT OF THE POLICY

Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the SEBI (LODR) Regulations and/or any other laws in this regard shall automatically apply to this Policy. The Board of Directors reserves its right to amend or modify the policy in whole or in part, at any time without assigning any reason whatsoever.

In the event of any inconsistency between this Policy and the applicable laws, the applicable laws will prevail.