

REXNORD ELECTRONICS AND CONTROLS LIMITED

Regd. Office: 92-D Govt Ind Estate, Charkop, Kandivli (W) Mumbai-400067

E mail: finance@rexnordindia.com Website: www.rexnordindia.com

Tel. No. 022-62401800; Fax No. 022-62401816

POLICY FOR DETERMINING MATERIALITY OF SUBSIDIARIES

IMPORTANT DEFINITIONS

“**Material Subsidiary**” would imply a subsidiary in which the investment by **Rexnord Electronics and Controls Limited** exceeds 10% of the consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated 10% of the consolidated income of **Rexnord Electronics and Controls Limited** during the previous financial year.

“**Material Non Listed India Subsidiary**” would imply an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up share capital and free reserves) exceeds 10% of the consolidated income or net worth respectively, of **Rexnord Electronics and Controls Limited** 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 material 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 Non-Listed Indian Subsidiaries
- 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 Non Listed Indian Subsidiary

At least One (1) Independent Director on the Board of the Company shall be a Director on the Board of a Material Non Listed Indian Subsidiary.

Explanation:- For appointing One (1) Independent Director on the Board of the of the Non Listed Indian 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 of 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 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

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.

GOVERNANCE FRAMEWORK

- a) Minutes of the Board Meetings of all Subsidiary Companies shall be placed before the Board of Directors of **Rexnord Electronics and Controls Limited** on quarterly basis;
- b) A statement of all significant transactions and/or arrangements entered into by the material Subsidiary Companies during the quarter shall be brought to the attention of the Audit Committee of **Rexnord Electronics and Controls Limited** on quarterly basis;

c) The Audit Committee of **Rexnord Electronics and Controls Limited** shall review the financial statements, in particular, the investments made by the unlisted material 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.

REVIEW OF THE POLICY:

This Policy shall be subject to review as may be deemed necessary as per any regulatory amendments.