



POLICY FOR DETERMINING MATERIAL SUBSIDIARY
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Version: 4
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Preamble:

Securities and Exchange Board of India (SEBI) through the *SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015* (including any statutory enactments/ amendments thereof) requires all listed companies to formulate a policy for determining “material subsidiaries”.

The Board of Directors (the “Board”) of ADF Foods Limited (the “Company” or “ADF”), has therefore adopted the following Policy and procedures with regard to determination of Material Subsidiaries, as defined in this Policy.

1. Objective:

- 1.1 This Policy is framed, in accordance with the requirement of *Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory enactments/amendments thereof) intended to ensure governance of material subsidiary companies.
- 1.2 The Company is required to disclose the policy in its Annual Report as well as to the stock exchanges.

2. Definitions:

“Consolidated Income or Networth” means the total income or networth of the Company and its subsidiaries.

****“Material non-listed subsidiary”** means a material subsidiary which is incorporated in India or abroad and is not listed on the Indian Stock Exchanges.

“Significant transactions and arrangements” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenue 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.



Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the following Acts/ Regulations/ Rules:

1. The Companies Act, 2013 or the Rules framed thereunder;
2. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
3. Securities Contracts (Regulation) Act, 1956;
4. SEBI Act, 1992;
5. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018**;
6. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
7. SEBI (Prohibition of Insider Trading) Regulations, 2015**.

3. Criteria for determining the Material subsidiaries:

- 3.1 ****“Material Subsidiary”** shall mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- 3.2 The Audit Committee to annually review the list of subsidiaries together with the details of the materiality defined herein, before 30th September of every year.

4. Governance of Material subsidiaries:

- 4.1 At least one Independent Director of the Company shall be a Director on the Board of the material non-listed subsidiary company ('Subsidiary Company'), whether incorporated in India or not.

****Explanation:** For the purposes of this provision, 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.

- 4.2 The Audit Committee of Board of the Company shall review the financial Statements, in particular, the investments made by the subsidiary company on a quarterly basis.
- 4.3 The Minutes of the Board Meetings of the subsidiary company be placed before the Board of the Company in regular intervals.
- 4.4 Board of Directors of the Company, shall review all the significant transactions and arrangements entered into by the subsidiary company, on a quarterly basis.



- 4.5 On the recommendation of the Nomination and Remuneration Committee of the Company, the Board may appoint such number of Independent Directors in the subsidiary company.
- 4.6 The Company, without the prior approval of the Members by Special Resolution, shall not:
- a) **dispose the shares held in material subsidiaries which would reduce the Company's shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary 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; or
 - b) ceases the exercise of control over the material subsidiary; or
 - c) **sell, dispose or lease of the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year, 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.
- 4.7 If conflict between two regulations viz., the Companies Act, 2013 and SEBI regulations are irreconcilably inconsistent, the stricter one shall prevail.

5. *Review:

The Policy will be reviewed by the Managing Director and/ or the Whole Time Directors on annual basis and they will be severally authorized to carry out the necessary amendments therein as per the amendments in the Companies Act, 2013, Rules thereunder and SEBI (Listing Obligations & Requirements) Regulations, 2015.*

6. Disclosures

The Policy for determining material subsidiaries is to be disclosed to the Stock Exchanges and in the Annual Report of the Company, as per the provisions of laws in force. The policy shall also be uploaded on the website of the Company at www.adf-foods.com.

* The amendments have been carried out on May 27, 2016.

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