

## **POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

### **TITLE:**

This Policy shall be called 'Policy for determining Material Subsidiaries'.

### **COMMENCEMENT:**

This Policy shall come into effect from 12 February, 2016.

### **OBJECTIVE:**

- a. This Policy is framed in accordance with the requirement of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 and is intended to ensure governance of material subsidiary companies.
- b. The Company is required to disclose the policy on its website and a web link thereto shall be provided in the Annual Report.

### **DEFINITIONS:**

- a. "Board" means the Board of Directors of Alkem Laboratories Limited.
- b. "Company" means Alkem Laboratories Limited.
- c. "Policy" means this Policy, as amended from time to time.
- d. "subsidiary" means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013

### **POLICY:**

#### **MATERIAL SUBSIDIARY**

A subsidiary shall be considered as material if its 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.

#### **GOVERNANCE FRAMEWORK**

1. All Subsidiaries:
  - a) Minutes of the Board Meetings of all Indian Subsidiaries shall be placed before the Board of Directors of the Company;
  - b) A statement of all significant transactions and arrangements entered into by the Subsidiaries during the quarter shall be brought to the attention of the Board of Directors of the Company on a quarterly basis;
  - c) The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiaries on annual basis;
  - d) All transactions between Company and its subsidiaries shall be entered into in accordance with Related Party Transactions Policy of the Company.

2. Material Subsidiary:

- a) List of material subsidiaries shall be placed before the Audit Committee of the Company on an annual basis;
- b) At least one independent Director on the Board of the Company shall be appointed as a Director on the Board of unlisted material subsidiary whether incorporated in India or not; Provided that for the purpose 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.
- c) Any proposal for disposal of shares in Material Subsidiary, such that the shareholding in the subsidiary may reduce to less than fifty percent or the Company would cease to exercise control over the entity, shall be subject to prior approval of shareholders of the Company;
- d) Any proposal for selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary shall be subject to prior approval of shareholders by way of special resolution.

**RESPONSIBILITY**

The Audit Committee shall review the list of Material Subsidiary and make suitable recommendations, including recommendation for appointment of Independent Director on the Board of Material Subsidiary.

**AMENDMENTS:**

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

**INTERPRETATION:**

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement or any other relevant legislation / law applicable to the Company.

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<b>REVISION HISTORY</b>	
Policy approved by the Board of Directors	12 <sup>th</sup> February, 2016
1 <sup>st</sup> Amendment to the policy	2 <sup>nd</sup> November, 2018 (effective 1 <sup>st</sup> April, 2019)