

HINDUSTAN AERONAUTICS LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. INTRODUCTION

This Policy is formulated in pursuance of the requirements of Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI Listing Regulations”) to determine the Material Subsidiary of Hindustan Aeronautics Limited (“HAL / Company”) and to provide a governance mechanism for such Subsidiaries.

2. DEFINITIONS

- 2.1. **“Audit Committee”** means the Committee constituted by the Board of Directors of the Company in accordance with the provisions of Section 177 of the Companies Act, 2013, Regulation 18 of SEBI Listing Regulations and DPE Guidelines on Corporate Governance for CPSEs.
- 2.2. **“Material Subsidiary”** in terms of Regulation 16 (1) (c) of the SEBI Listing Regulations means, a Subsidiary, whose income or networth exceeds ten percent of the consolidated income or networth respectively of HAL and its Subsidiaries in the immediately preceding accounting year.
- 2.3. **“Networth”** means networth as defined in Section 2 (57) of the Companies Act, 2013.

3. POLICY AND PROCEDURE

- 3.1. The Company shall not, without the prior approval of the members by Special Resolution in the General Meeting, dispose of shares in its Material Subsidiary which would reduce its shareholding (either on its own or together with other Subsidiaries) to less than 50% or cease the exercise of the 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.
- 3.2. The Company shall not, without the prior approval of the members by Special Resolution, sell, dispose and lease 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.

- 3.3. At least one Independent Director of the Company shall be a Director on the Board of the unlisted Material Subsidiary of the Company incorporated in India. For this purpose, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of HAL and its subsidiaries in the immediately preceding accounting year.
- 3.4. The management of unlisted Subsidiary shall periodically bring to the notice of the Board of the Company of all significant transactions and arrangements entered into by the unlisted Material Subsidiary. For this purpose, 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.

4. DISCLOSURE

- 4.1. This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.
- 4.2. Adequate disclosure pertaining to the Subsidiary Companies of HAL, as may be required under the provisions of Companies Act, 2013, SEBI Listing Regulations and DPE Guidelines on Corporate Governance for CPSEs, shall be made by the Company.

5. INTERPRETATION & AMENDMENT

- 5.1. Any word used in this Policy, but not defined herein, shall have the same meaning as defined under the Companies Act, 2013, SEBI Listing Regulations and any other applicable statutory regulations.
- 5.2. The Board of Directors may review and amend this Policy as may be required from time to time in accordance with the provisions of applicable statutes and any subsequent amendments, Circulars, Notifications, in the Companies Act, 2013, SEBI Listing Regulations and other applicable laws, as may be issued from time to time, shall be *mutatis mutandis* apply to this Policy.
