

1) Preamble:

The “Policy for determining ‘material’ subsidiary” (hereinafter called “the Policy/Disclosure Policy”), is required to be framed in accordance with Regulation 16(1)(c) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Board of Directors (the “Board”) of NACL Industries Limited (the “Company”) is hence obliged to formulate this “Policy for determining ‘material’ subsidiary” to comply with the requirements of the aforesaid regulations.

2) Objective:

The objective of the Policy is to determine material subsidiaries of the Company and to provide a governance framework for such material subsidiaries.

3) Definitions

- a) “Act” means the Companies Act 2013 as may be amended from time to time.
- b) “Board of Directors” or “Board” means the Board of Directors of NACL Industries Limited, as constituted from time to time.
- c) “Company” means NACL Industries Limited.
- d) “General Meeting”: Annual General Meeting or Extraordinary General Meeting.
- e) “Independent Director” means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.
- f) “Listed Entity”: means NACL Industries Limited.
- g) “Significant transaction or arrangement: means 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.
- h) "Subsidiary" means a subsidiary as defined under the Act and Rules made there under.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the, LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

4) Determining the material subsidiary:

A subsidiary shall be considered as Material if –

The 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.

5) Corporate Governance requirement with respect to material subsidiary of listed entity:

- a) At least one independent director on the Board of Director of the listed entity shall be a director on the Board of Director of an unlisted material subsidiary, whether incorporated in India or not.
- b) The audit committee shall review the financial statements, in particular, the investment made by the unlisted subsidiary.
- c) The minutes of the meetings of the Board of Directors of the unlisted subsidiary shall be placed at the meeting of the Board of Directors of the listed entity.
- d) The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.
- e) Listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in the General Meeting 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 exchange within one day of the resolution plan being approved.
- f) Selling, disposing and leasing of assets amounting to more than twenty percent 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 and 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 exchange within one day of the resolution plan being approved.

6) Review of the Policy:

This Policy shall be subject to be reviewed by the Board of Directors as may be deemed necessary as per any regulatory amendments and shall be disseminated on the Company's website. In case of any amendment(s), clarification(s), circular(s) etc. thereof, issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment (s), clarification (s), circular (s) etc.