

# POLICY ON MATERIAL SUBSIDIARIES

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## 1. Introduction

This policy is made in terms of Clause 16 (c) of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”).

The Board of Directors (The “Board”) of Hindustan Oil Exploration Company Limited (the “Company”) has adopted the following policy and procedures with regard to determination of Material Subsidiaries on January 18, 2016.

The Board may review and amend this policy from time to time.

All the words and expressions used in this Policy, unless defined hereinafter, shall have meaning respectively assigned to them under the SEBI LODR and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued thereunder, as amended from time to time.

## 2. Policy Objective

To determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

## 3. Definitions

**Audit Committee or Committee** means Audit Committee constituted by the Board of Directors of the Company, from time to time under provisions of SEBI LODR, and the Companies Act, 2013.

**Board of Directors or Board** means the Board of Directors of HOEC, as constituted from time to time.

**Company** means Hindustan Oil Exploration Company Limited.

**Independent Director** means a Director of the Company, not being a whole time Director who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence as laid down under Schedule IV of the Companies Act, 2013 and the SEBI LODR entered into with the stock exchanges.

**Policy** means Policy on Material Subsidiaries.

**Material Non Listed Indian Subsidiary** shall mean a Material Subsidiary which is incorporated in India and is not listed on the Indian Stock Exchanges who income or net worth (i.e. paid-up capital and free reserves) exceeds <sup>1</sup>[ten] percent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

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Amendment:

1. Substituted for the words “20 percent” vide amendment to policy on May 14, 2019 in line with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

**Significant Transaction or Arrangement** shall mean 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.

**Subsidiary** shall be as defined under the Companies Act, 2013 and the Rules made thereunder.

## 4. Conditions

- 4.1 A subsidiary shall be a Material Subsidiary, if any of the following conditions are satisfied:
- (i) In which the Investment of the Company/Proposed Investments exceeds <sup>2</sup>[ten percent] of its consolidated networth as per the audited balance sheet of the previous financial year; or
  - (ii) which have generated <sup>2</sup>[ten percent] of the consolidated income of the Company during the previous financial year.
- 4.2 One Independent Director of the Company shall be a Director on the Board of the Material Non-Listed Indian Subsidiary Company. <sup>3</sup>[For the purposes of this clause, notwithstanding anything to the contrary contained herein above, 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.]
- 4.3 The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.
- 4.4 The minutes of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.
- 4.5 The Management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary Company.

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Amendment:

2. Substituted for the words “20 %” vide amendment to policy on May 14, 2019 in line with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

3. Inserted vide amendment to policy on May 14, 2019 in line with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

## 5. Disposal of Material Subsidiary

The Company shall not:

- 5.1 Dispose of the 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 control over the subsidiary without passing a special resolution in its General Meeting, except in cases where divestment is made under a scheme or arrangement duly approved by a Court/Tribunal <sup>4</sup>[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].
- 5.2 Sell, dispose-off and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without 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 <sup>5</sup>[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.]

## 6. Amendment

The Board of Directors of the Company reserves the right to amend or modify this Policy in whole or in part, as may be required, at any point of time.

## 7. Communication of this policy

This policy as amended from time to time shall be made available at the Website of the Company.

## 8. Contact

All query(ies) relating to this policy can be made to Managing Director / Executive Director.

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Amendment:

4 & 5. Inserted vide amendment to policy on May 14, 2019 in line with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018