

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES



SOLARWORLD ENERGY SOLUTIONS LIMITED

(formerly known as Solarworld Energy Solutions Private Limited)

1. PREFACE

This Policy for Determining Material Subsidiary ("Policy") has been formulated by the Board of Directors ("Board") of Solarworld Energy Solutions Limited ("Company"), in compliance with Regulation 16(1)(c) and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), as amended, and Section 2(87) of the Act, read with applicable rules.

The Policy is aligned with the principles of good corporate governance and aims to ensure transparency, accountability, and effective oversight of the Company's subsidiaries. The purpose of this Policy is to establish a clear and consistent framework for identifying "material subsidiaries" of the Company, ensuring compliance with regulatory requirements, and defining governance and reporting obligations for such subsidiaries.

The Policy facilitates effective monitoring of subsidiaries that have a significant impact on the Company's consolidated financial position, operations, or governance. This Policy shall be disclosed on the Company's website and its salient features, along with any amendments, shall be included in the Board's Report as required under Regulation 34(3) read with Schedule V of the SEBI LODR Regulations.

2. OBJECTIVES

The key objectives of this Policy are:

- i. To define and identify "material subsidiaries" and "significant transactions" as per the SEBI LODR Regulations and the Act.
- ii. To ensure compliance with corporate governance requirements for material subsidiaries, including board oversight, independent director appointments, and financial reporting.
- iii. To establish a framework for monitoring the performance and transactions of material subsidiaries.
- iv. To align with the requirements of the Companies Act and SEBI LODR Regulations.
- v. To provide clarity on the Company's obligations regarding divestitures, audits, and disclosures related to material subsidiaries.

3. DEFINITIONS

- i. **"Act"** means Companies Act, 2013 and the Rules prescribed thereunder, including any statutory amendment or modification thereof.
- ii. **"Audit Committee" or "Committee"** means Audit Committee constituted by the Board of Directors of the Company as under Section 177 of the Companies Act, 2013 and the provisions of Listing Regulations, as amended from time to time.
- iii. **"Board of Directors" or "Board"** means the Board of Directors of Solarworld Energy Solutions Limited, as constituted from time to time.
- iv. **"Company"** means Solarworld Energy Solutions Limited.

- v. **“Control”** shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or person acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder’s agreements or voting agreements or in any other manner.
- vi. **“Independent Director”** means an Independent Director referred to in section 149(6) of the Companies Act, 2013, and / or Regulation 16(b) of the Listing Regulations, 2015.
- vii. **“Management”** means the Senior Management and Key Managerial Personnel of Solarworld Energy Solutions Limited as per Companies Act 2013 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- viii. **“Policy”** means this policy for determining material subsidiaries.
- ix. **“SEBI Listing Regulations”** means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- x. **“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 unlisted subsidiary for the immediately preceding accounting year (*Explanation to Regulation 24(4) of the SEBI LODR Regulations*).
- xi. **“Subsidiary Company” or “Subsidiary”** in relation to any other company (that is to say the Holding Company), means a company in which the Holding Company:
 - i. controls the composition of the Board; or
 - ii. exercises or controls more than one half of the total voting power either at its own or together with one or more of its Subsidiary companies.

Explanation- For the purpose of this definition:

 - a) A company shall be deemed to be a Subsidiary company of the Holding Company even if the control referred to in clause (i) or (ii) above is of another Subsidiary company of the Holding Company;
 - b) The composition of a company’s Board shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors.
- xii. **“Material subsidiary”** shall mean a subsidiary, whose turnover or net worth exceeds 10 [ten] percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act and rules and regulations made thereunder.

4. SCOPE & APPLICABILITY

This Policy applies to:

- i. All subsidiaries of the Company, whether incorporated in India or abroad, as defined under Section 2(87) of the Act.
- ii. The identification and governance of material subsidiaries as per Regulation 16(1)(c) and Regulation 24 of the SEBI LODR Regulations.
- iii. The Board, Audit Committee, and management of the Company in fulfilling their obligations regarding material subsidiaries.

Identification of "Material Subsidiary" of the Company shall be a one-time exercise and such exercise shall be done during each financial year and the conclusion shall be placed before the Audit Committee and the Board of the Company.

5. PROVISIONS WITH REGARD TO MATERIAL SUBSIDIARY COMPANIES

- i. The Chief Financial Officer of the Company will be responsible for monitoring and determining which of the Subsidiaries falls within the definition of Material Subsidiaries.
- ii. Monitoring of investments made by the Company in the Subsidiaries for the purpose of determining the Materiality of the Subsidiary shall be done whenever such an investment is made. Monitoring the quantum of generation of consolidated income of the Company will be done at the time of finalizing the consolidated annual accounts of the Company.

6. GOVERNANCE FRAMEWORK

As per Regulation 24 of the SEBI LODR Regulations, the Company shall ensure the following governance requirements for material subsidiaries

i. Appointment of Independent Director

At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

The Independent Director shall be selected by the Board based on expertise relevant to the subsidiary's operations.

If the subsidiary is incorporated abroad and does not require a board under local laws, the requirement may be deemed complied with through oversight by the Company's Audit Committee.

Explanation- For the purposes of this provision, notwithstanding anything to the contrary contained in regulation 16 of the Listing Regulations, 2015, the term “material subsidiary” shall mean a subsidiary, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

ii. Review of Financial Statements

The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary.

The Chief Financial Officer and the Company Secretary of the Company shall ensure that the financial statements of material subsidiaries are presented to the Audit Committee in a timely manner.

- iii. 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 Company.
- iv. As per Regulation 24(4) of SEBI(LODR) The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of the Company, a statement of all Significant Transactions or Arrangements entered into by the unlisted subsidiary.
- v. The management shall present to the Audit Committee periodically, the list of subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board.
- vi. The Company’s material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a Peer Reviewed Company Secretary, in such form as may be specified. Where the Company has a listed subsidiary, which is itself a Holding Company, this Policy shall apply to the listed Subsidiary insofar as its Subsidiaries are concerned. The Secretarial Audit Report for Material subsidiary to be annexed with the holding Company.
- vii. The Company shall not without the prior approval of the Shareholders by way of Special resolution:
 - a. As per Regulation 24(5) of SEBI(LODR) Dispose off shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or equal to 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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
 - b. As per Regulation 24(6) of SEBI(LODR) Selling, disposing and leasing of 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 and Bankruptcy Code, 2016 and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

However, prior approval of shareholders shall not be required for sale, disposal or lease of assets between two wholly owned subsidiaries of the Company.

Other Compliances applicable with respect to such Material Subsidiary(ies) shall be in accordance with the Listing Regulations and other applicable laws, if any, for the time being in force and as amended from time to time.

7. ROLES AND RESPONSIBILITIES

Board of Directors

- i. Approve the Policy and any amendments thereto.
- ii. Approve the list of material subsidiaries annually or upon changes.
- iii. Approve significant transactions or arrangements of material subsidiaries.
- iv. Ensure compliance with governance requirements under Regulation 24.
- v. Review reports from the Audit Committee on material subsidiaries' performance and transactions.

Audit Committee

- i. Review and recommend the list of material subsidiaries to the Board.
- ii. Monitor the financial statements, investments, and significant transactions of material subsidiaries.
- iii. Recommend significant transactions for Board approval.
- iv. Ensure compliance with secretarial audit requirements for material unlisted subsidiaries.

Nomination and Remuneration Committee (NRC)

- i. Recommend the appointment of an Independent Director to the board of a material subsidiary (if required under Regulation 24(1)).
- ii. Ensure alignment of succession planning for material subsidiaries with the Company's overall Succession Planning Policy.

8. DISCLOSURES

The Company shall ensure the following disclosures:

- i. **Website:** The Policy shall be uploaded on the Company's website, and a web link shall be provided in the Annual Report (Regulation 46(2)).
- ii. **Annual Report:** Includes
 - a) A statement on compliance with material subsidiary governance requirements.
 - b) Details of material subsidiaries in the Corporate Governance Report.
 - c) Secretarial audit reports of material unlisted subsidiaries (Regulation 24A).
- iii. **Board's Report:** Disclose the Policy's salient features and any amendments (Section 178(4)).
- iv. **Stock Exchanges:** Submit compliance reports, including secretarial audit reports, within timelines prescribed by SEBI

9. AMENDMENTS TO THE POLICY

The Board of Directors on its own can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

10. REVIEW OF THE POLICY

The policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

This policy has been approved by the Board of Directors of the Company in their meeting held on February 11, 2025