



POLICY ON DETERMINING MATERIAL SUBSIDIARY

HIGHNESS MICROELECTRONICS LTD.

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1. PREAMBLE

- 1.1 This Policy shall be called the **"Policy for determining Material Subsidiary of HIGHNESS MICROELECTRONICS LIMITED** (the "Company" or "Highness"). This policy has been formulated in accordance with Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Herein after referred as "Listing Regulations"), which requires every listed company to formulate a policy for determining "Material Subsidiary" and also be published on the website of the company as Regulation 46(2)(h) of the SEBI Listing Regulations requires every listed company to publish this policy on company's website. This Policy has been prepared and adopted in accordance with the SEBI Listing Regulations.
- 1.2 Accordingly, the Board of Directors of Highness Microelectronics Limited (the "Company" or "Highness") has formulated this policy ("Policy") at its meeting held on February 07, 2025 for determining Material Subsidiary.
- 1.3 This policy is made with an object to determine:
- Meaning of Material Subsidiary;
 - Restriction on disposal of shares of Material Subsidiary by the Company;
 - Restriction on transfer of assets of Material Subsidiary; and
 - Disclosure requirements, under the Listing Regulations and any other laws and regulations as may be applicable to the Company.

2. DEFINITIONS

- 2.1 Unless repugnant to the meaning or context thereof, the following expressions, wherever used in this Code, shall have the meaning assigned to them below:
- "Audit Committee"** means the Audit Committee of the Board constituted by the Board of Directors of the Company, from time to time.
 - "Board of Directors"** shall mean the Board of Directors of the Company.
 - "Control"** shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder agreements or voting agreements or in any other manner.
 - "Independent Director"** means a non-executive director other than nominee director who satisfies all criteria of Independence given under Companies Act, 2013 and Listing Regulations.
 - "Material Subsidiary"** means a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of company and its subsidiaries in the immediately preceding accounting year.
 - "Significant Transaction and 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.

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vii. **"Subsidiary"** means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.

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

3. GOVERNANCE FRAMEWORK

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

3.2 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.

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

Explanation: For the purpose of this clause the term "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

3.4 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.

3.5 The Company shall obtain prior approval of shareholder by way of special resolution if the disposal of shares in its material subsidiary (either on its own or together with other subsidiaries) results in reduction of its shareholding, to less than 50 percent or the Company ceases the exercise of control over such subsidiary;

Such approval shall not be required if the disinvestment is:

- under a scheme of arrangement duly approved by a Court/Tribunal
- under a resolution plan duly approved under Section 31 of the Insolvency Code and same is disclosed to recognised stock exchange within one day of approval of resolution plan.

3.6 A Company shall not sell, dispose off or lease the assets of the material subsidiary amounting to more than twenty percent of the assets of the material subsidiary on aggregate basis during a financial year without obtaining prior approval of shareholder by way of special resolution.

Such an approval shall not be required if such sale/disposal/lease of assets is:

- under a scheme of arrangement duly approved by a Court/Tribunal
- under a resolution plan duly approved under Section 31 of the Insolvency Code and same is disclosed to recognised stock exchange within one day of approval of resolution plan.

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3.7 Every material unlisted subsidiary of the Company incorporated in India shall undertake secretarial audit and shall annex Secretarial Audit Report, given by a Company Secretary in practice, in such form as may be specified in the Annual Report of Company.

4. REVIEW AND AMENDMENT

The Policy would be reviewed on an annual basis by the Board of Directors of the company. In case, there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended with due approval from the Board of Directors. However, the amended regulatory requirements will supersede the existing Policy till the time Policy is suitably amended.

5. COMPLIANCE RESPONSIBILITY

The Compliance Officer of the company shall ensure the compliance of this Policy and shall have the power to ask for any information or clarifications from the management in this regard.

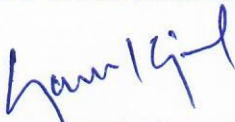
6. DISCLOSURE OF EVENTS OR INFORMATION

The Company shall disclose all events or information with respect to subsidiary, which are material for the Company as per Regulation 30(9) of the Listing Regulation.

7. WEBSITE

As per Regulation 46 (2)(h) of the Listing Regulation, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

For and on behalf of Highness Microelectronics Limited


Gaurav Manjul Kejriwal
Managing Director

