ANDHRA PAPER LIMITED

POLICY ON MATERIAL SUBSIDIARIES

INTRODUCTION

Andhra Paper Limited is governed and regulated amongst others by the rules and regulations framed by Securities Exchange Board of India ("**SEBI**").

SEBI through Regulation 16(1) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") mandated the Listed entities to formulate a policy for determining 'material' subsidiary.

The Board of Directors (the "**Board**") of the Company has adopted the policy and procedures for determining 'material' subsidiary companies ("Policy") in accordance with the provisions of Regulation 16 (1) (c) of the Listing Regulations.

DEFINITIONS

Act means the Companies Act, 2013 as may be amended from time to time.

APL or Company means Andhra Paper Limited.

Audit Committee means the committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act and Regulation 18 of the Listing Regulations.

Board of Directors or **Board** means the Board of Directors of Andhra Paper Limited, as constituted from time to time.

Independent Director means a director of the Company, not being a whole time director or nominee 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 Regulations.

Material Subsidiary shall mean a subsidiary, whose 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.

Material Unlisted Subsidiary shall mean an unlisted subsidiary, incorporated in India or not, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

Subsidiary means a subsidiary as defined under the Act and Rules made there under.

All the words and expressions used in this Policy, unless defined hereafter, shall have the same meaning respectively assigned to them under the Listing Regulations, the Act and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

POLICY:

1. The list of Material subsidiaries and Material unlisted Indian Subsidiaries, if any, shall be presented to the Audit Committee annually for its noting.
2. One Independent Director of the Company shall be a director on the Board of the unlisted Material Subsidiary whether incorporated in India or not. For this purpose, an unlisted material subsidiary means an unlisted subsidiary company, whose income or net worth exceeds 20% of the consolidated income of net worth respectively, of the company and its subsidiaries in the immediately preceding accounting year.
3. The Audit Committee of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary company on quarterly basis.
4. The minutes of the Board meetings of the unlisted subsidiary company shall be placed before the Board of the Company from time to time.
5. The management shall 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 on a periodical basis.
   Explanation. - 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.
6. The material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be prescribed.
7. The Company 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 or equal to fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.
8. 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/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

The Audit Committee may review the policy periodically and may amend the same from time to time, as may be deemed necessary.

SCOPE AND LIMITATION

Notwithstanding anything contained in this Policy, the Listing Regulations, the Act and Rules, as amended, shall prevail over the policy at all the times.