

<b>Document Name</b>	Policy for determining Material Subsidiaries	<b>Document Number</b>	DION/QMS/POL/HRP/49
<b>Document Classification</b>	Policy Document	<b>Document Status</b>	Effective 8 <sup>th</sup> August, 2016
<b>Date of Release</b>	9 <sup>th</sup> August, 2016	<b>Version Number</b>	2

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## 1. OBJECTIVE \ LEGAL FRAMEWORK

- 1.1 The Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations<sup>1</sup>, 2015 extends certain principle of corporate governance to subsidiary of listed company.
- 1.2 The Board of Directors of Dion Global Solutions Limited is obliged to formulate a policy<sup>2</sup> for determining "material subsidiary" to comply with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for such material subsidiaries.

## 2. DEFINITIONS

- 2.1 **"Act"** means Companies Act, 2013 & rules and any amendment(s) or modification(s) or circular(s) or notification(s) thereof made thereunder
- 2.2 **"Audit Committee"** or **"Committee"** shall mean a committee of Board of Directors of the Company, by whatever name called, constituted in accordance with provisions of Section 177 of the Act read with Regulation 18 of the Regulations.
- 2.3 **"Board"** means Board of Directors of the Company.
- 2.4 **"Company"** means Dion Global Solutions Limited.
- 2.5 **"Holding Company"** pursuant to Section 2(46) of the Act, in relation to one or more other companies, means a Company of which such companies are subsidiaries companies.
- 2.6 **"Material Subsidiary"**<sup>3</sup> shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of listed entity and its subsidiaries in the immediately preceding accounting year.
- 2.7 **"Policy"** means Policy for determining material Subsidiary.
- 2.8 **"Regulations"** mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendment(s) or modification(s) or circular(s) or notification(s) thereof made thereunder.
- 2.9 **"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 material subsidiary<sup>4</sup> for the immediately preceding accounting year.
- 2.10 **"Subsidiary Company"**, pursuant to Section 2(87) of the Act, in relation to any other Company (that is to say the holding Company), mean a Company in which the holding Company-

<sup>1</sup> Notification No: SEBI/LAD-NRO/GN/2015-16/01 dated September 2, 2015

<sup>2</sup> Obligation under Regulation 16(c) of the Regulations.

<sup>3</sup> Defined under Regulation 16(c) of the Regulations.

<sup>4</sup> There is a conflict in Regulation 24(4). The main provision talks about all unlisted subsidiaries whereas explanation given under the clause talks for "Unlisted Material Subsidiary". Considering the conservative approach all subsidiaries shall be taken.

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- i. Controls the composition of the Board of Directors

The term “**control**<sup>5</sup>” 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 shareholders agreements or voting agreements or in any other manner.

Or

- ii. Exercise or controls more than one half of the total share capital 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 of Directors 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;
- c. The expression “company” includes body corporate;

### 3. APPLICABILITY

- 3.1 The Policy is applicable on the Company and its material subsidiaries.

### 4. GUIDING PRINCIPLES

- 4.1 "Material Subsidiary" of the Company would be identified, if any, as one-time exercise and such exercise shall be done during each financial year and the conclusion placed before the Audit Committee and the Board of the Company. The identification shall be exercised soon after preparation of annual accounts and the outcome shall be placed before the Audit Committee and Board in the meeting held immediately after the meeting where the Annual Financial Statements of the Company are considered and approved.

### 5. PROVISIONS<sup>6</sup> WITH REGARD TO SUBSIDIARY COMPANY

- 5.1 At least one independent director on the Board of Directors of the listed holding Company shall be a director on the Board of Directors of an unlisted **material subsidiary**, incorporated in India.

<sup>5</sup> Defined under Section 2(27) of the Companies Act, 2013

<sup>6</sup> Defined under Regulation 24 of the Regulations

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The nomination by holding Company of its Independent Director(s), shall be done promptly but not later than a period of 6 months from the date of conclusion of any financial year. The director so nominated should vacate the office in subsidiary in case the subsidiary ceased to be a material.

- 5.2 The audit committee of the listed holding company shall also review the financial statements, in particular, the investment made by the unlisted subsidiary.
- 5.3 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 holding Company.
- 5.4 The management of the unlisted subsidiary shall periodically bring to the notice of the board of directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.

The Board of Directors of the listed holding Company should quarterly review the statement of all significant transactions and arrangements entered into by the **unlisted subsidiary**.

- 5.5 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 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.
- 5.6 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 the shareholders of the holding Company by way of passing special resolution in its General Meeting, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.
- 5.7 The subsidiary Company shall give reasonable notice about the intention of such sale, disposal and lease to the holding Company before entering into such transaction. The holding Company shall provide the necessary approval of the shareholders within 3 months from the date of receipt of the said notice. If for any reason, it not feasible to for the holding company to get the shareholders' approval within three months than within such time acceptable to the Subsidiary Company.

## **6. COMPLIANCE BY STEP DOWN SUBSIDIARIES**

- 6.1 Where a Company has a listed subsidiary which is itself a holding Company, this policy shall apply to the listed subsidiary in so far as its subsidiaries are concerned

## **7. DISCLOSURES**

- 7.1 The Policy shall be disclosed on the Company's website & a web link thereto shall be provided in the Annual Report.

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## **8. AMENDMENT**

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- 8.1 The Policy may be amended by the Board from time to time as may be deemed necessary by the Board and in accordance with any regulatory amendments.

## **9. DISCLAIMER**

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- 9.1 By reason of any change in the Act and/or Regulations which leads to any inconsistency or ambiguity or incongruity between the policy and the Act/Regulations, the amended Act/Regulations as issued by respective authorities shall prevail in this regard.