



## **Policy for Determining Material Subsidiary**

**Version No. 3 dated May 17, 2023**

**Adopted by the Board of Directors at their meeting held on May 17, 2018 and revised on April 17, 2019 and May 17, 2023**

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## **POLICY FOR DETERMINING MATERIAL SUBSIDIARY**

### **1. Purpose**

Quess Corp Limited (“**Quess**” or “**Company**”) is governed amongst others by the rules and regulations framed by Securities Exchange Board of India (“**SEBI**”). SEBI in its revised notification Listing Obligations and Disclosures Requirements) (Amendment) Regulations, 2018 (“**Listing Regulations**”) introduced new regulatory requirements for material subsidiary companies. The Board of Directors (the “**Board**”) of the Company has adopted the policy and procedure for determining material subsidiary(ies) in accordance with the provisions of Securities and Exchange Board of India Listing Obligations and Disclosures Requirements) (Amendment) Regulations, 2018, as may be notified by Securities and Exchange Board of India from time to time.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 (“**Act**”) and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

This policy shall be effective from the date of its approval from the Board.

### **2. Objective of the Policy**

This Policy has been framed to determine the Material Subsidiaries and Material Non-listed Indian Subsidiaries of the Company and to provide the governance framework for such Subsidiaries.

### **3. Definitions**

- 3.0 “Act”** shall mean the Companies Act, 2013 and rules, notifications, circulars framed thereunder, as amended, from time to time.
- 3.1 “Audit Committee”** or “**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 regulation
- 3.2 “Board of Directors”** or “**Board**” means the Board of Directors of the Company, as constituted from time to time.
- 3.3 “Control”** shall be as defined under section 2(27) of the Act and the rules made thereunder.
- 3.4 “Holding Company”** shall mean in relation to one or more other companies, means a company of which such companies are subsidiary companies.
- 3.5 “Independent Director”** shall mean a Director who satisfies the criteria of independence as defined under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.
- 3.6 “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. However, material subsidiary is considered based on the 20% threshold for the purpose of appointment of an independent director of a listed entity as a Director on the Board of an unlisted material subsidiary, whether incorporated in India or not.

**3.7 “Material Non-listed Indian Subsidiary”** shall mean an unlisted Subsidiary, whose income or net worth (i.e. paid up capital and free reserves) exceeds 10% of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

**3.8 “Net Worth”** means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off as per the audited balance sheet, but does not include reserves created out of re-valuation of assets, write-back of depreciation and amalgamation.

**3.9 “Significant transaction or arrangement”** shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent (10%) of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted Material the Subsidiary for the immediately preceding accounting year.

**3.10 “Subsidiary”** shall mean 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 of Directors; 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:

#### 4. Governance Framework

The Company, as a Holding Company, is required to comply with following:

- a. 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
- b. The Audit Committee of the Listed Holding Company shall review the financial statements, in particular, the investments made by its Unlisted Subsidiary Company(ies).
- c. The Minutes of the Meeting(s) of the Board of Unlisted Subsidiary Company(ies) and its Significant Transactions and/or Arrangements shall be placed before the Board of the Listed Holding Company.
- d. The Management shall periodically bring to the attention of the Board of Directors of the Listed Holding Company, a statement of all significant transactions and arrangements entered into by the Unlisted Subsidiary Company.

*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.*

- e. The Company, without the prior approval of the Members by a Special Resolution, shall not:
  - dispose of shares in its Material Subsidiaries resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent (50%); or ceases the exercise of control over the Subsidiary/ies except in cases where disinvestment 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 Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved; or
  - sell, dispose or lease the assets amounting to more than twenty percent (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 the Court/Tribunal, 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

- f. In case the Company has a listed subsidiary which itself is a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.
- g. The Company shall place separated audited accounts in respect of each of its subsidiary on its website, if any and shall provide the copy of such audited financial statements to any shareholders of the Company, who asks for its.
- h. Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity. Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.

## **5. Material related party transaction**

A transaction with a related party shall be considered Material if the transaction or transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

## **6. Compliance by Step Down Subsidiaries**

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

## **7. Disclosures**

The Company shall disclose in its Board's report, details of this Policy as required under the Act and the Listing Regulations. This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Board's report.

## **8. Amendment**

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.