

POLICY FOR DETERMINING MATERIAL SUBSIDIARY COMPANIES

Version 1.0 approved by the Board of Directors in 2015

Version 2.0 approved by the Board of Directors on 7th June, 2021

1. Preamble:

The Board of Directors (the “Board”) of **SMC Global Securities Limited** (the “Company”) have adopted this policy for determining material subsidiary companies in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’) and provide governance framework for subsidiaries of the Company.

2. Key Definitions:

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 absence of its definition or explanation therein, as per Companies Act and the Rules framed thereunder, including any statutory modification or amendment thereof.

- a) **“Act”** means the Companies Act, 2013 & Rules framed there under (including any statutory modification or re-enactment).
- b) **“Policy”** means Policy for determining material subsidiary companies.
- c) **“Board of Director” or “Board”** means the Board of Directors of SMC Global Securities Limited, as constituted from time to time.
- d) **“Independent Director”** means a Director of the Company, who satisfies the criteria for independence as prescribed under Section 149 (6) of the Act and Regulation 16(b) of the Listing Regulations.
- e) **“Audit Committee” or “Committee”** means the committee constituted by the Board of Directors, under the provisions of Listing Regulations and the Companies Act, 2013.
- f) **“Company”** means **SMC Global Securities Limited**.
- g) **“Holding Company”** means holding company as defined under Section 2 (46) of the Act and listed with any Stock Exchange(s).

- h) **“Subsidiary Company” or “Subsidiary”** means subsidiary company (ies) as defined under Section 2 (87) of the Companies Act, 2013 and the Rules made thereunder.
- i) **“Material Subsidiary”** means subsidiary which satisfies any of the following conditions:
 - a) Its income exceeds 10% of consolidated net income of the Company and its subsidiary companies in immediately preceding accounting year; or
 - b) Its net worth exceeds 10% of consolidated net worth of the Company and its subsidiary companies in immediately preceding accounting year.
- j) **“Significant Transaction or Arrangement”** means 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.
- k) **“Net worth”** means net worth as defined in sub section (57) of section 2 of the Companies Act, 2013

3. Identification of material subsidiary

The Audit Committee shall annually review the list of all subsidiaries together and ascertain which of its subsidiary companies can be deemed to be a material subsidiary.

The Committee shall then recommend to the Board of Directors for inclusion or exclusion of any subsidiary (ies) as a material subsidiary of the Company based on the criteria prescribed in law.

4. Governance of material subsidiaries:

4.1 Appointment of Independent Director on Board of subsidiary

Based on the recommendation of the Nomination and Remuneration Committee of the Company, the Board shall appoint at least one independent director of the Company on the Board of material unlisted subsidiary, whether incorporated in India or not.

[For the purpose of the above provision “Material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated

income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.]

4.2 Undertaking secretarial audit for subsidiary

Material unlisted subsidiary 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.

4.3 Disposal of shares or assets

The Company, without prior approval of the members by the Special Resolution in its General Meeting, shall not:

4.3.1 Dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 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 Insolvency Code and such an event is disclosed to the stock exchanges within one day of resolution plan being approved.

4.3.2 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 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 Insolvency Code and such an event is disclosed to the stock exchanges within one day of resolution plan being approved.

5 Governance of all subsidiaries

5.1 The Audit Committee of the Company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company on periodic basis.

5.2 The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company.

- 5.3 The management of unlisted subsidiary shall periodically bring to the notice of Board of Directors of the Company, a statement of all significant transactions or arrangements entered into by the unlisted subsidiary.
- 5.4 Audit Committee to review utilization of loans and/or advances from/investment by the Company in the subsidiary exceeding INR 100 crore or 10% of asset size of the subsidiary, whichever is lower.

6 Disclosure:

- 6.1 The Policy shall be disclosed on the Company's website i.e. www.smcindiaonline.com and a web link thereto shall be provided in the Annual Report of the Company.

7 Amendment:

- 7.1 The Board of Directors reserves the right to amend or modify this policy in whole or in part, at any point of time.
- 7.2 In the event of any conflict between the provisions of this policy and of the Act or Listing Regulations, the provision of law shall prevail.
- 7.3 Any subsequent amendment/modification in the applicable law shall automatically apply to this policy.