

**Chembond Chemical Specialties Limited**  
**Policy for determining Material Subsidiary**

**A. Preamble**

Chembond Chemicals Specialties Limited ("**Company**") is governed amongst others by the Rules and Regulations framed by Securities Exchange Board of India ("**SEBI**"). SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("**Listing Regulations**") lays out regulatory requirements for material subsidiary companies.

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.

This Policy shall be used to determine the material subsidiaries and dealing with such material subsidiaries in accordance with the principle stated in Companies Act, 2013 and the Listing Regulations, as amended 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.

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

**B. Definitions or Terms**

a. "*Audit Committee*" means a Committee of the Board of Directors of the Company constituted under Sec. 177 of the Companies Act, 2013 (Act) or any previous Companies Act then and in force and as per Regulation 18.

b. "*Independent Director*" means a director of the Company, not being a whole time 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 Act and the Listing Regulations.

c. "*Material Subsidiary*" shall have the same meaning as per Regulation 16(1)(c) of the Listing Regulations (and as amended from time to time), which presently reads as follows:

"material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

d. "*Significant Transaction or Arrangement*" shall have the same meaning as per Regulation 24 of Listing Regulations (and as amended from time to time), which presently reads as follows:

"significant transactions or arrangements" 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 subsidiary for the immediately preceding accounting year.

e. *“Subsidiary Company” or “Subsidiary”,* 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.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation - For the purposes of this clause:

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) 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 any body corporate;
  - (d) “layer” in relation to a holding company means its subsidiary or subsidiaries;
- f. *“Unlisted Subsidiary”* means subsidiary whose securities are not listed on any recognized Stock Exchanges.
- g. The Regulations: The Regulations refers to the applicable provisions of the Companies Act, 2013, read with the rules made under the Companies Act, 2013, Articles of Association, applicable guidelines - the Listing Regulations’ etc. (as amended from time to time).

### **C. Policy and Procedure**

1. 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 purposes of this provision, notwithstanding anything to the contrary contained in regulation 16, 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.

2. The Audit Committee shall review the financial statements, in particular, the investments made by the unlisted subsidiary of the Company.
3. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the Company at regular intervals.

### **Chembond Chemical Specialties Limited**

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4. The Board shall be provided periodically with a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.  
[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]
5. The Company shall not dispose of shares in its material subsidiary, which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% 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 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.
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 shareholders by way of special resolution 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 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;  
  
“Nothing contained in this sub-regulation shall be applicable if such sale, disposal or lease of assets is between two wholly-owned subsidiaries of the Company.”
7. Where a Company has a listed subsidiary, which is itself a holding company, the provisions of this regulation shall apply to the listed subsidiary in so far as its subsidiaries are concerned.
8. The Company 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 may be specified, with the annual report of the Company.
9. The Company shall submit a secretarial compliance report in such form as may be specified, to stock exchanges, within sixty days from end of each financial year.

#### **D. Interpretation**

This Policy is intended to comply with the Companies Act, 2013 and the Listing Regulations. Notwithstanding anything herein to the contrary, this Policy will be interpreted only in such manner so as to comply with the Companies Act, 2013 and the Listing Regulations. Any word not defined in this Policy shall have the same meaning as defined under the Companies Act, 2013 and the Listing Regulations, including any amendments thereto. In case any word or provision as appearing in this Policy is contrary to the meaning or provision as provided under the Companies Act, 2013 or the Listing Regulations, then the meaning or provision as provided under the Companies Act, 2013 / the Listing Regulations shall prevail. This policy shall always be in conformity with the provisions of the Regulations and any amendments in the Regulations shall be deemed to form part of this Policy.

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Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.

**E. Limitation and Amendments**

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this policy. This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

**F. 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.