**CARE Ratings Limited**

**Policy for determining Material Subsidiaries**

## Title

This policy shall be called 'Policy for determining Material Subsidiaries'.

## Objective

i) This policy has been prepared in accordance with the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") as amended from time to time.

ii) It is intended to ensure governance as well as disclosure on material subsidiary companies.

iii) This Policy will be disclosed on the website of the Company.

iv) The Board will also have the powers to amend this policy or substitute this policy with a new policy as and when deemed fit.

## Definitions

"**Audit Committee**" means a committee constituted by the Board of Directors of the Company under provisions of the SEBI LODR Regulations and of the Companies Act, 2013 as amended from time to time".

"**Board of Directors**" means the Board of Directors of CARE Ratings Limited.

"**Policy**" means this Policy on determination of Material Subsidiary

"**Material Subsidiary**" mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

## Governance framework

At least one Independent Director on the Board of the Company shall be a director on the board of directors of its unlisted Material Subsidiary, whether such Material Subsidiary is incorporated in India or not.

**Explanation:** For the purpose of above clause, notwithstanding anything to the contrary contained in Regulation 16 of the SEBI LODR Regulations, 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 Company and its Subsidiaries in the immediately preceding accounting year.

**Secretarial Audit and Secretarial Compliance Report**

1. The Unlisted Material Subsidiary incorporated in India shall undertake secretarial audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex a Secretarial Audit Report in such form as specified, with the annual report of the Company.

Explanation:

i. "Secretarial Auditor" means a Company Secretary in Practice or a firm of Company Secretary(ies) in practice appointed to conduct the Secretarial Audit.

ii. "Peer Reviewed Company Secretary" means a Company Secretary in practice, who is either practicing individually or as a sole proprietor or as a partner of a Peer Reviewed Practice Unit, holding a valid certificate of peer review issued by the Institute of Company Secretaries of India.

2. The Material Subsidiary shall ensure compliance with the conditions specified in Securities and Exchange Board of India ("SEBI") circular CIR/CFD/CMD1/114/2019 dated October 18, 2019 while appointing/ re-appointing statutory auditor and in case of statutory auditor's resignation.

3. Disposal of Material Subsidiary

   **a.** Restriction on disposal of shares of Material Subsidiary

   In terms of regulation 24 (5) of the SEBI LODR Regulations, 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 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.

   **b.** Restriction on disposal of assets of Material Subsidiary

   In terms of regulation 24 (6) of the Listing Regulations, selling, disposing and leasing of assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders of the Company 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.

**Interpretation and disclosure**

Any word or term used in the policy but not defined herein shall have the same meaning as ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI LODR Regulations or any other relevant Act, Rules and regulations. The Company shall disclose this Policy on its website and a web link shall be provided in the Annual Report of the Company.

**Amendment**

Any subsequent amendment/modification in the SEBI LODR Regulations or any other Regulations/circulars impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.