



POLICY FOR DETERMINING ‘MATERIAL’ SUBSIDIARIES ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED

1. Scope and Objective of the Policy

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), mandates every listed Company to formulate a policy for determining “material” subsidiaries. To comply with this statutory requirement, Zicom Electronic Security Systems Limited (ZESSL) has formulated the policy for determining “material” subsidiaries (“Policy”), which shall be subject to the applicable statutory provisions, including the provisions of SEBI LODR, provisions of the Companies Act, 2013, any rules, regulations, guidelines, notifications and circulars of the Securities and Exchange Board of India, the Reserve Bank of India, and any other appropriate authority.

The objective of this Policy is to fix the threshold for determining “material” subsidiaries of ZESSL.

2. Threshold For Determining ‘Material’ Subsidiaries:

A subsidiary shall be considered as material subsidiary of ZESSL, if **any one** of the following conditions is satisfied:

- a. A subsidiary in which the investment of ZESSL exceeds **ten per cent**, of the **consolidated Net worth*** of ZESSL.
- b. A subsidiary which has generated **ten per cent**, of the **consolidated income*** of the ZESSL.

Material non-listed Subsidiary shall mean a Subsidiary which is incorporated in or outside India and is not listed on the Indian Stock Exchanges and whose:

- a. Net worth exceeds **ten per cent**, of the **consolidated Net worth*** of ZESSL.
- b. Income exceeds **ten per cent**, of the **consolidated income*** of ZESSL.

* The Net worth or income of ZESSL as above should be as per the consolidated audited Balance sheet for the previous financial year.

3. Conditions in respect of Material non-listed Subsidiary Company:

One Independent Director of ZESSL shall be a director on the Board of the Material non-listed Subsidiary Company.



The Audit Committee of ZESSL shall review the financial statements and investments made in material non-listed subsidiary.

The Minutes of the Board Meeting of the material non-listed subsidiary shall be placed at the Board Meeting of ZESSL.

4. Conditions in respect of Material Subsidiary Company:

ZESSL, without the prior approval of the Members by Special Resolution, shall not:

- i. dispose of shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- ii. ceases the exercise of control over the Subsidiary; or
- iii. sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year,

unless in cases where the divestment / sale / disposal / lease is made under a scheme of arrangement duly approved by a Court / Tribunal.

5. Amendments:

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

6. Interpretation:

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI LODR or any other relevant legislation / law applicable to the Company.

(This Policy was approved by the Board of Directors at its Meeting held on February 10, 2015 and first modification approved at its Meeting held on February 12, 2019)