



## **Policy on Determination of Materiality for Disclosures**

### **1. Background**

Lee & Nee Softwares (Exports) Ltd. ("Company") is committed to being open and transparent with all stakeholders and believes in disseminating information in a fair and timely manner. The Company's securities are listed on the BSE Limited ("BSE") and the Company must comply with the continuous disclosure obligations imposed by the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations"). Listing Regulations mandate listed entities to formulate a Policy for determining materiality of events or information that warrant disclosure to its stakeholders. It is in this context that the Policy on Determination of Materiality for Disclosure(s) ("Policy") is being framed and implemented. The Board of Lee & Nee Softwares (Exports) Ltd. vide its resolution by circulation dated 25<sup>th</sup> January, 2016 has approved and adopted this policy for determination of materiality of events or information for which disclosure may be made by the Company to the Stock Exchange.

### **2. Definitions**

In this Policy, unless the context requires otherwise:—

- a. "Board of Directors" shall mean the Board of Directors of Lee & Nee Softwares (Exports) Ltd.
- b. "Key Managerial Personnel" means key managerial personnel as defined in subsection (51) of section 2 of the Companies Act, 2013.
- c. "Listing Regulations" means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,
- d. "Promoter" and "Promoter Group" shall have the same meaning as assigned to them respectively in clauses (za) and (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- e. "Subsidiary" means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013;

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be, to the extent applicable to the Company.

### 3.Objective of the Policy

The objectives of this Policy are as follows:

- 1.1 To determine the “Materiality of events of Company” for the purpose of disclosure to stock exchanges;
- 1.2 To serve as a guiding charter to the Management to ensure that timely and adequate disclosure of events or information are made to the investors by the Company under the Listing regulations;
- 1.3 To ensure that the information disclosed by the Company is regular and transparent;
- 1.4 To ensure that the Corporate documents and public statements are accurate and do not contain any misrepresentation.

### 4.Identification of “Materiality of Events or Information”

4.1 Events specified in **Annexure 1** shall be considered to be “material events or information” and all such information shall be disclosed without any application of the criteria for materiality

4.2 Events specified in **Annexure 2** shall be considered material only after adopting the following criteria:

4.2.1 The following qualitative criteria would be applicable for determining materiality of event or information:

a) For the purpose of assessing whether a particular event/transaction or amounts involved in that event/transaction are “material”, the following information will be considered, though the list is not exhaustive. The event/transaction:

(i) is in ordinary course of business,

(ii) a related party is involved in the transaction

(iii) the transaction represents a significant shift in strategy

(iv) the transaction is an exit from, or entry into, a significant line of business

(v) if the impact of an event could affect the decision of the stakeholders with respect to dealing in Company’s shares.

b) The omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or

c) The omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or

d) any other event/information may be treated as being material if in the opinion of the Board of Directors of Company, the event / information is considered material.

4.2.2 The following quantitative criteria would be calculated based on audited financial statements of the last financial year, and would mean event or information where the value involved or the impact

a) exceeds 10% of the consolidated turnover or

b) exceeds 20% of consolidated net worth whichever is lower

The quantitative criteria shall be read in conjunction with the qualitative criteria for determining materiality and arriving at the overall decision on the event to be reported.

## **5.Any Other Information**

The Company shall disclose any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to Company which may be necessary to enable the holders of securities of Company to appraise its position and to avoid the establishment of a false market in such securities.

## **6.Person(s) authorised to determine “Materiality”**

The below mentioned key managerial personnel of the company are authorised by the Board for determining materiality of an event or information by unanimous consent for the purpose of disclosure to the stock exchanges.

- a. Managing Director and Chief Executive Officer
- b. Chief Financial Officer; and
- c. Company Secretary

In situations where the unanimous consent of all the above-mentioned Key Managerial Personnel cannot be obtained for any reason, the Managing Director and Chief Executive Officer shall be the deciding authority to conclude on the materiality of an event / information and accordingly report the same.

The Authorized Person(s) shall have the following powers and responsibilities for determining the material events or information:

- a. To review and assess an event or information that may qualify as ‘material’ and may require disclosure, on the basis of facts and circumstances prevailing at a given point in time.
- b. To determine the appropriate time at which the disclosures are to be made to the stock exchanges based on an assessment of actual time of occurrence of an event or information.
- c. To disclose developments that are material in nature on a regular basis, till such time the event or information is resolved/closed with relevant explanations.
- d. To consider such other events or information that may require disclosure to be made to the stock exchanges which are not explicitly defined in the Listing Regulations and determine the materiality, appropriate time and contents of disclosure for such matters.
- e. To disclose all events or information with respect to the subsidiaries which are material for the Company.

## **7.Guidance Framework**

In cases where the Company is confronted with the question as to when an event/information can be said to have occurred, it would be determined on the basis of:

- a) in certain instances depending upon the stage of discussion, negotiation or approval and

b) in instances where there is no such discussion, negotiation or approval required viz. in case of natural calamities, disruptions, etc., it would depend upon the timing when the Company became aware of the event/information.

In the former, the events/information can be said to have occurred upon receipt of approval of the Board of Directors e.g. further issue of capital by rights issuance and in certain events/information after receipt of approval of both i.e. Board of Directors and Shareholders.

However, considering the price sensitivity involved, for certain events e.g. decision on declaration of dividends etc., disclosure shall be made on receipt of approval of the event by the Board of Directors, pending shareholder's approval.

In the latter, the events/information can be said to have occurred when the Company becomes aware of the events/information, or as soon as, a Key Managerial Personnel of the Company has, or ought to have reasonably come into possession of the information in the course of the performance of his duties.

### **8. Effective Date:**

This Policy, as approved by the Board shall be effective January 25, 2016.

### **9. Policy Review & Amendment**

The Authorized Person may review the Policy from time to time. Material Changes to the Policy will need the approval of the Board of Directors.

Should there be any inconsistency between the terms of the Policy and the Listing Regulations, the provisions of the Listing Regulations shall prevail.

This Policy shall be amended in accordance with the amendments made vide notifications / circulars as may be published in Official Gazette of India from time to time.

## Annexure 1

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of Company or any other restructuring.
2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.
3. Revision in Rating(s).
4. Outcome of Meetings of the Board: The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider the following:
  - a. dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
  - b. any cancellation of dividend with reasons thereof;
  - c. the decision on buyback of securities;
  - d. the decision with respect to fund raising proposed to be undertaken
  - e. increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
  - f. reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
  - g. short particulars of any other alterations of capital, including calls;
  - h. financial results;
  - i. decision on voluntary delisting from stock exchange(s)
5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of Company), agreement(s)/treaty (ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.
6. Fraud/defaults by Promoter or Key Managerial Personnel or Company or arrest of Key Managerial Personnel or Promoter.
7. Change in Directors, Key Managerial Personnel, Auditor and Compliance Officer.
8. Appointment or discontinuation of share transfer agent.
9. Corporate debt restructuring.
10. One time settlement with a bank.
11. Reference to BIFR and winding-up petition filed by any party / creditors.
12. Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by Company.
13. Proceedings of Annual and extraordinary general meetings of Company.
14. Amendments to memorandum and Articles of Association of Company, in brief.
15. Schedule of Analyst or institutional investor meet and presentations on financial results made by Company to analysts or institutional investors;

## Annexure 2

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.
2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal).
3. Capacity addition or product launch.
4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.
5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.
6. Disruption of operations of any one or more units or division of Company due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.
7. Effect(s) arising out of change in the regulatory framework applicable to Company.
8. Litigation(s) / dispute(s) / regulatory action(s) with impact.
9. Fraud/defaults etc. by Directors (other than Key Managerial Personnel) or employees of Company.
10. Options to purchase securities including any ESOP/ESPS Scheme.
11. Giving of guarantees or indemnity or becoming a surety for any third party.
12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.
13. Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the Company which may be necessary to enable the holders of securities of the Company to appraise its position and to avoid the establishment of a false market in such securities.