

POLICY ON MATERIAL SUBSIDIARIES

PURPOSE & SCOPE

The policy for determining 'material' subsidiary companies has been framed in accordance with the provisions of Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

All the words & 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 and the Rules, Notifications and Circulars made/issued thereunder, as amended from time to time.

OBJECTIVE

In view of the requirements referred to above and for enhancement of its commitment to better corporate governance, the Company has adopted a policy for determining its material subsidiaries (the "Policy"). The objective of the Policy is to determine the material subsidiaries of the Company and set out the governance framework for such material subsidiaries.

DEFINITIONS

"Act" means the Companies Act, 2013 and the rules made there under including any amendments made thereto;

"Audit Committee" means the Audit Committee constituted by the Board, from time to time, under the provisions of the Act and the LODR.

"Board of Directors" or "Board" means the Board of Directors of the Company, as constituted from time to time;

"Company" means Lee & Nee Softwares (Exports) Limited

"Independent Director" shall mean a director of the Company, other than a managing director or a whole-time director or a nominee director, and who satisfies the criteria for independence prescribed under the Act and the LODR;

"Significant Transactions and Arrangements" means 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 Company for the immediately preceding Accounting Year; and
“Subsidiary Company” means the Subsidiary Company as defined under the Companies Act, 2013 and the Rules made thereunder.

CRITERIA FOR DETERMINING MATERIAL SUBSIDIARIES

A subsidiary shall be considered material subsidiary whose income or net worth (i.e. paid up capital and free reserves) exceeds ten percent of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding accounting year.

GOVERNANCE FRAMEWORK

Compliances with respect to Material Subsidiaries

(i) 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 clause, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

(ii) The Audit Committee of the Company shall review the financial statements of its Unlisted Subsidiaries, in particular, the investments made by its Unlisted Subsidiary Company(s).

(iii) The minutes of the meetings of Board of Directors of the Unlisted Subsidiary shall be placed at the meeting of the Board of Directors of the Company.

(iv) The management of the Unlisted Subsidiary Company(s) shall periodically bring to the notice of the Board, a statement of all Significant Transactions and Arrangements entered into by the Unlisted Subsidiary Company(s).

(v) The Company shall not, without the prior approval of its shareholders by way of a special resolution:

a) dispose of shares held in its Material Subsidiary(s) resulting in reduction of its shareholding (either on its own or together with other Subsidiaries) to less than fifty percent or ceases the exercise of control over the Subsidiary(s) except in cases where disinvestment 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) sell, dispose or lease assets amounting to more than twenty per cent of the assets of the Material Subsidiary on an aggregate basis during any financial year without prior approval of shareholders by way of special resolution, unless such sale, disposal or 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.

(vi) Every material unlisted subsidiary incorporated in India shall undertake secretarial audit and the secretarial audit report shall be annexed with the Annual Report of the Company.

DISCLOSURES

The Company shall disclose this Policy on the Company's website and a web link to the same shall also be provided in the Annual Report of the Company.

POLICY REVIEW

This policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.