



SOM Distilleries & Breweries Limited

POLICY ON DETERMINATION OF LEGITIMATE PURPOSE





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Policy on Determination of Legitimate Purpose

1. Background

The Company shares data or information with various stakeholders like organizations, agencies, institutions, intermediaries, establishments, persons, etc., during the course of its business operations. Such unpublished data or information, if made publicly available may materially impact the market price of the listed securities of the Company. If such persons trade on the basis of unpublished price sensitive information ('UPSI'), it could result in an undue advantage to such persons. The trading in the securities of the Company by an insider is governed by and subject to the SEBI (Prohibition of Insider Trading) Regulations, 2015 ('Regulations') as amended from time to time and the SOM Insider Trading Policy code of fair practices ('Code').

This "Policy on Determination of Legitimate Purpose" ('Policy') is framed by the Board of Directors of the Company pursuant to the amendment in the Regulations, in 2018

This policy is effective from June 27, 2020.

2. Applicability (*As specified in Code*)

This policy is applicable to all Insiders.

3. Definitions

- a) **"Connected Person"** means Connected Person as defined under Regulations and shall also include promoters and their directors and key managerial personnel. (Regulation 2(1)(d)).
- b) **"Insider"** means any person who is
 - i. a Connected Person or
 - ii. in possession of or having access to Unpublished Price Sensitive Information. (Regulation 2(1)(g))
- c) **"Unpublished price sensitive information or UPSI"** means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –
 - i. financial results;
 - ii. dividends;
 - iii. change in capital structure;
 - iv. mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;
 - v. changes in key managerial personnel;





[such other information as determined by the Board of Directors/Chief Executive Officer/Chief Operating Officer/Chief Financial Officer from time to time. (Regulation 2(1)(n))]

4. Legitimate Purpose

“Legitimate Purpose” shall mean sharing of UPSI in the ordinary course of business or on a need-to-know basis. The Company may share the UPSI if required in the interest of the Company.

Legitimate Purpose shall inter alia include sharing of UPSI on need to know basis by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing has not been carried out to evade or circumvent the prohibitions of the Regulations. [Regulation 3(2A) and 3(2B)].

In following cases which are illustrative in nature, sharing of UPSI would be considered as legitimate purpose:

- i. For investigation, inquiry or request for information by statutory or governmental authorities or any other administrative body recognized by law;
Example: Any call for information or query received from Ministry of Corporate Affairs, Income Tax Authority, Securities and Exchange Board of India (“SEBI”), Stock Exchanges, Reserve Bank of India, Sectoral Regulatory Body, etc.
- ii. Under any proceedings or pursuant to any order of courts or tribunals;
Example: National Company Law Tribunal, National Company Law Appellate Tribunal, Quasi-judicial authority, Other Appellate Tribunals, Arbitration Proceedings, etc.
- iii. As part of compliance with applicable laws, regulations, rules and requirements;
Example: Company Law, Securities Law, Income Tax Law, Banking Law, etc.
- iv. Arising out of any contractual obligations or arrangement entered by the Company set forth in any contract, agreement, arrangement, settlement, understanding or undertaking.
Example: Due-diligence for any kind of restructuring, namely mergers & acquisitions, joint venture agreements, share purchase agreements, franchisee agreement, etc.
- v. Arising out of business requirement including requirement for the purposes of promoting the business and Strategies of business. Which may require sharing of information with Promoters and Promoters in turn with their Promoters on need to know basis.
Example: Some of the examples which are illustrative in nature are as mentioned below:
 - Sharing the relevant UPSI by Company or Promoter(s) for advice, consultation, valuation, fund raising or other intermediation and approvals in relation to the subject matter of a proposed deal/assignment/tie-up/venture/fund raising;





- Sharing the relevant UPSI by Company or Promoter(s) with intermediaries, fiduciaries, merchant bankers, advisors, lawyers, bankers, consultants, valuers, auditors, insolvency professionals, business support agents, transaction processing service providers in order to avail professional services from them;
- Sharing the relevant UPSI by Company or Promoter(s) for advice, consultation, transaction support, intermediation and approvals on projects relating to enterprise transformation, strategy, change management, analytics, re-organization, operation improvement, technology and similar domains;
- Sharing the relevant UPSI by Company or Promoter(s) with business partners essential to fulfill the terms and conditions of a business contract with a client, vendor, collaborator or lender;
- Sharing the relevant UPSI by Company or Promoter(s) for advice, consultation, transaction support, intermediation and approvals in the process of evaluation of new products, business opportunities and new lines of business;
- Sharing the relevant UPSI by Company or Promoter(s) for statutory consolidation requirements or related customary disclosure obligations;
- Sharing the relevant UPSI by Company or Promoter(s) with persons engaged or involved in the processes leading to disclosure of events set out in Schedule III to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

Any person in receipt of UPSI pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of the Regulations and shall comply with the Code.

5. Process for sharing UPSI

The insider shall conduct the following steps while sharing UPSI:

- i. Satisfy that information is UPSI and sharing is for legitimate purpose
- ii. Identify the persons with whom the information is to be shared
- iii. Notify the recipient that UPSI is being shared and enter into a confidentiality/non-disclosure agreement.
- iv. Mode of sharing UPSI shall be either by an email (address directly to the insider without copying) or hard copy or any other electronic mode or device or provide access to the information, data, server with acknowledgement.
- v. Maintain names of the persons along with PAN (or any other identifier where PAN is not available) with whom information is shared. The database shall be maintained with adequate internal controls and checks such as time stamping and audit trails to ensure non-tampering of the database. This database shall be kept confidential.

6. System Audit

There should be periodic audit once in a year to ensure the integrity of the system and data maintained.





7. Policy Review

The Policy shall be reviewed periodically in accordance with review of internal control and check as well as changes or any regulatory requirements from time to time.

In the events of inconsistency of this Policy with any legal provisions, the provisions of the law shall override this Policy.

Legitimate Purpose referred to in the SEBI (Prohibition of Insider Trading) Regulations, 2015

Regulation 3:

- (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
 - (2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
- (2A) The board of directors of a listed company shall make a policy for determination of “legitimate purposes” as a part of “Codes of Fair Disclosure and Conduct” formulated under regulation 8.

Explanation -“legitimate purpose” shall include sharing of unpublished price sensitive information in the ordinary course of business by an insider with partners, collaborators, lenders, customers, suppliers, merchant bankers, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing has not been carried out to evade or circumvent the prohibitions of these regulations.

- (2B) Any person in receipt of unpublished price sensitive information pursuant to a “legitimate purpose” shall be considered an “insider” for purposes of these regulations and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations.

