

MATERIALITY POLICY



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1. Introduction

Code of Corporate Governance (as amended from time to time) requires the Board of Directors to **define the level of materiality** as noted below:

*.....**The Board of Directors shall define the level of materiality**, keeping in view the specific circumstances of the listed company and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose"*

The concept of 'defining level of materiality' has multiple dimensions in terms of its scope and application. Level of materiality can be defined for:

- Business Issues
- Preparation of financial statements
- Preparation of budget & variance analysis
- Performance evaluation (KPIs i.e. 10% turnover ratio for HR)
- Mis-statements or errors
- Internal Control Deficiencies
- Accounting Estimates
- Fraud
- Internal Audit
- Disclosure and Reporting (i.e. material disclosures to stock exchanges)
- Authority levels for approving transactions (i.e. Policy on Delegation of Financial Powers)
- CAPEX
- Others

2. Ownership, Maintenance and Approval

This policy is owned by the BOD, however the responsibility of maintenance, review and update lies with Secretariat Office. Secretariat Office will review and update the policy once in three years and put it up for BOD approval as required.

3. Background

Businesses navigate through an ever shifting world of competitive, technological, societal and regulatory change. In order to respond better and faster they need to be open to earnings from diverse sources. But they also need to be able to sort out what is material from what is 'noise'.

"Material issues are those things that could make a major difference to an organization's performance"



Businesses need to work out what is material, and articulate this in credible ways in order to drive learning and innovation.

What Might be Material from Management Perspective?

Businesses need to identify issues that are relevant to:

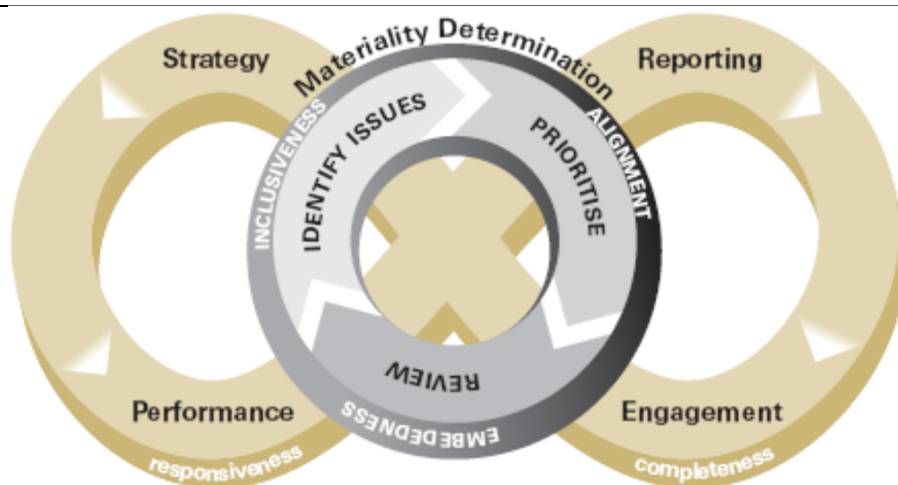
- Direct short-term financial performance;
- The business's ability to deliver on its strategy and policies;
- Best practice norms exhibited by peers;
- Stakeholder behavior and concerns; or

“Material information enables stakeholders and management to make sound judgments and take action which influences the organization’s performance”

Not all above issues will turn out to be significant to long-term success. Businesses need to be able to prioritize in order to align their approach to material issues with their strategy, practices and ultimately performance.

Approach to materiality should focus on what is important *to the business*, in order to capture:

- a **longer term view of the issues** that could affect the success of business strategy;
- a **wider view of the people** whose actions influence performance, and who therefore need sound information to guide their judgments;
- a **deeper view of the information** necessary for sound decision making, including where necessary both financial and non-financial data, and forward as well as backward looking indications of performance.



A generally applicable Materiality Framework has now been developed internationally which can be used by businesses to help align their strategy to emerging constraints and opportunities.

4. Materiality Matrix

“Materiality” should be based on a variety of inputs and informed judgment. Materiality Matrix can be used a tool for screening the issues to determine which issues are most material?

Material Issues are those that score high on three criteria as follows:

- Having Significant Current or Potential Impact on the Company
- Of Significant Concern to Stakeholders
- Over which the Company has a reasonable Degree of Control

Level of concern to stakeholders 	HIGH	LOW IMPACT, HIGH CONCERN ISSUES ▶	MEDIUM IMPACT, HIGH CONCERN ISSUES ▶	HIGH IMPACT, HIGH CONCERN ISSUES ▶
	MEDIUM	LOW IMPACT, MEDIUM CONCERN ISSUES ▶	MEDIUM IMPACT, MEDIUM CONCERN ISSUES ▶	HIGH IMPACT, MEDIUM CONCERN ISSUES ▶
	LOW	LOW IMPACT, LOW CONCERN ISSUES	MEDIUM IMPACT, LOW CONCERN ISSUES ▶	HIGH IMPACT, LOW CONCERN ISSUES ▶
		LOW	MEDIUM	HIGH
		Current or potential impact on Company		

5. Conclusion

This document provides a broad Policy for determination of “Level of Materiality” relating to matters concerning the company and the funds under management in accordance with the requirements of the Code of Corporate Governance.

The issue involving breach of the Materiality thresholds mentioned in section 6 of this Policy would be reported / highlighted to the Board on a quarterly basis.

The quantitative thresholds would be updated from time to time with approval of the Board.

6. Quantitative Materiality Threshold Matrix

1	Finance	Threshold
	<u>Financial Statements of Management Company/Funds under Management</u>	
a	Income Statement (any item impacting the Income Statement)	5% of Net Income would be highlighted to the Board
b	Balance Sheet (any item impacting the balance sheet or Statement of Assets & Liabilities)	1% of Net Asset or Net Worth / Equity would be highlighted to the Board
c	Acquisition of Fixed Assets (non-budgeted) requiring BOD approval (as per delegation of powers policy)	Rs.20 million or above will require <u>pre-BOD</u> approval. Rs.2 million and above will require <u>post facto</u> approval.
d	Disposal of Fixed Assets requiring Board approval (as per Fixed Asset disposal policy)	Rs.20 million or above (book value) will require <u>pre-Board</u> approval. Rs.1 million (book value) or above will require <u>post facto</u> approval.
e	Variance from the Budget approved by the Board	10 % or more of budgeted amount would be highlighted to the Board.
2	Human Resource (HR)	
	Employee Turnover ratio	More than 10% would be highlighted to the Board
3	Corporate Governance ,Internal Audit ,Compliance & Risk	
a	Fraud	
	Any Fraud/Financial irregularity	Rs.500,000 or above would be reported to the Board.
b	Internal Audit Ratings	
	“Management Attention Required (MAR)” Internal Audit Ratings of any process / function	10% or more would be reported to the Board
c	Risk / Governance / Compliance / Regulatory	
	BCP/DRP	Any actual BCP and DRP trigger to be informed to the Board
	All material matters to be reported to the Board and relevant Board Committee such as show cause notice issued by Regulator or proceedings before Government agencies or a Court of Law, Law Enforcement Agencies or Competent Authority.	All such matters to be reported to the Board and relevant (Board Committee as the case may be) within 48hours
4	Customer Care Unit	

Materiality Policy of UBL Fund Managers Limited

	Quantum of complaints that are NOT resolved within Turn Around Time (TAT)	10% or more would be highlighted to the Board.
	Material Claim / Compensation requested by Investor	Rs.500,000 or above would be reported to the Board
5	Business Issues	
	Number of HNW /SMA (IAS) client accounts Closed	Rs25 million or above would be highlighted to the Board along with rationale
6.	Fund Performance	<u>Any fund performance that falls in the last 2 quintiles</u> would be highlighted to the Board.