



POLICY FOR DETERMINATION OF MATERIALITY

Policy Number: CS/007
Policy Owner: Company Secretariat
Approved by: Board of Directors on
07th November 2023

This document has been formulated to define the Materiality Policy for identification of:

- (i) Outstanding material litigation involving “K2 INFRAGEN LIMITED” (“Company”), its subsidiary(ies), its directors and promoters;
- (ii) Material companies to be considered as Group companies; and
- (iii) Material creditors of the Company

in terms of the disclosure requirements under Part A of the Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“SEBI ICDR Regulations”).

The Board of Directors (“Board”) of the Company at their meeting held on 07th November 2023 discussed and approved this policy.

DEFINITIONS

In this Policy, the term

- (i) “Issue Documents” shall mean the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, and any addendum or corrigendum thereto to be filed and/or submitted by the Company in connection with the proposed initial public offering of its equity shares, with the Securities and Exchange Board of India (“SEBI”), the Registrar of Companies, and/or the stock exchanges where the equity shares of the Company are proposed to be listed, and any / or other regulatory authorities, as applicable,

I. MATERIALITY POLICY FOR LITIGATION

In terms of the SEBI ICDR Regulations, the Company is required to disclose the following pending litigation(s) involving itself, its subsidiary(ies), its directors and its promoters:

- (i) All criminal proceedings
- (ii) All actions by statutory and / or regulatory authorities
- (iii) Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five (5) financial years including outstanding action;
- (iv) Taxation claims: Separate disclosures as regards claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount,
- (v) Other pending litigation/arbitration proceedings: As per the policy of materiality defined by the Board and disclosed in the Issue Documents and / or in accordance with the materiality policy framed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose outstanding litigation/ defaults which (a) may have a material impact which is qualitative though not quantitative and (b) may not be material at present, but may have a material impact in the future.

For the purposes of determining material litigation / arbitration proceedings as mentioned in point (iv) and (v) above, the following criteria shall apply:

Any pending litigation / arbitration proceedings (other than pending litigations mentioned in points (i) to (iv)) involving the Company, its subsidiaries, its promoters or its directors shall be considered “material” for the purposes of disclosure in the Issue Documents, if:

- (i) The aggregate monetary claim made by or against the Company, its subsidiaries, its promoters and / or its directors, (individually or in the aggregate), in any such pending litigation / arbitration proceeding is equal to or exceeds 10% of the profit after tax, derived from the most recently completed fiscal year as per the Restated Financial Information included in such Issue Documents;

where the decision in one litigation is likely to affect the decision in similar litigations, even though the amount involved in such single litigation individually may not exceed 10% of the profit after tax – of the Company as per the last audited financial statements, if similar litigations put together collectively exceed 15% of the profit after tax of the Company

or

litigations whose outcome could have a material impact on the business, operations, prospects or reputations of the Company and the Board or any of its committees shall have the power and authority to determine the suitable materiality thresholds for the subsequent financial years on the aforesaid basis or any other basis as may be determined by the Board or any of its committees.

Further, pre-litigation notices received by the Company, its subsidiaries, its promoters, its directors or a group company (collectively the “**Relevant Parties**”) from third parties (excluding those notices issued by statutory / regulatory / tax authorities or notices threatening any criminal action) shall, unless otherwise decided by the Board, not be considered a material litigation until such time that the relevant party is impleaded as a defendant in proceedings before any judicial / arbitral forum. Further, FIRs initiated against the Company, its subsidiaries, its directors, and its promoters, shall be disclosed in the Issue Documents.

II. MATERIALITY POLICY FOR IDENTIFICATION OF GROUP COMPANIES

In terms of the SEBI ICDR Regulations, the term ‘**group companies**’ includes:

- (i) such companies (other than promoter(s) and subsidiary(ies) with which there were related party transactions, during the period for which financial information is disclosed in the relevant Issue Documents, as covered under the applicable accounting standards, and
- (ii) any other companies as considered material by the Board of the Company.

For the purpose of the offer documents, a company shall be considered “**Material**” and will be disclosed as a “**Material Group Company**” in the offer documents, if:

- all such companies (other than promoters and subsidiaries) with which there were related party transactions during the period covered in the Restated Financial Information, Financial Statements and included in the Issue Documents and the Company has entered into any transaction with such company that exceed 10 % of the profit after tax, for the last completed financial year covered in the Restated Financial Information.

Information about Group Companies identified based on the above approach shall be disclosed in the Issue Documents in accordance with SEBI ICDR Regulations.

III. MATERIALITY POLICY FOR IDENTIFICATION OF MATERIAL CREDITORS

In terms of SEBI ICDR Regulations, the Company shall make the following disclosures in the Issue Documents for outstanding dues to creditors:

- (i) Based on the Materiality Policy adopted by the Board and as disclosed in the Issue Documents, details of the Company’s creditors, including the consolidated number of creditors and the aggregate amount involved; and
- (ii) Consolidated information on outstanding dues to micro, small and medium enterprises and other creditors, separately giving details of number of cases and amount involved.

Complete details about outstanding dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with a web link thereto in the Offer Documents.

For the purposes of identification of ‘material creditors’, in terms of point (i) above, a creditor of the Company, shall be considered material for the purpose of disclosure in the Issue Documents, if amounts due to such creditor is equal to or in excess of 5% of the trade payables of the Company as per the Restated Financial Information of the most recent period.

GENERAL

It is clarified that the policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Issue Documents and should not be applied towards any other purpose.

This policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time. Any subsequent amendment / modification to the SEBI ICDR Regulations and / or any other laws in this regard shall automatically apply to this policy. The provisions of applicable laws shall prevail over this policy, in case of any conflict between them.

In terms of the SEBI ICDR Regulations, the Issuer shall disclose all the litigations involving the Issuer, its directors, promoters, group companies and subsidiaries, related to:

- i. All criminal proceedings;
- ii. All actions by statutory / regulatory authorities; and
- iii. Taxation - Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount.

Besides the above-mentioned litigations, other material pending litigations, as per policy of materiality defined by the Board shall also be disclosed in the Offer Documents.

In this regard, all other pending litigation involving the Issuer, its directors, promoters, group companies and subsidiaries, other than criminal proceedings, statutory or regulatory actions and taxation matters, would be considered 'material' for the purpose of disclosure in the Offer Documents, if:

- The monetary amount of claim by or against the entity or person in any such pending matter(s) is in excess 10% of the net profits after tax of the Company for the most recent audited fiscal period;
- Such pending cases are material from the perspective of the Issuer's business, operations, prospects or reputation.
