

SHADOWFAX TECHNOLOGIES LIMITED

MATERIALITY POLICY

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1. Introduction

- 1.1 This materiality policy (“**Policy**”) has been formulated for: (i) the identification of group companies of Shadowfax Technologies Limited (“**Company**”); (ii) identification of material outstanding litigation (excluding outstanding criminal proceedings, outstanding actions by regulatory and statutory authorities, disciplinary actions including penalty imposed by SEBI or Stock Exchanges against the promoters of the Company in the last five financial years preceding the date of the relevant Offer Document including outstanding actions and outstanding taxation matters) involving the Company, its directors, its promoters, and its subsidiary; and (iii) identification of outstanding dues to creditors of the Company, on a consolidated basis, pursuant to the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“**SEBI ICDR Regulations**”).
- 1.2 This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company (“**Board**”).
- 1.3 In this Policy, the term “**Offer Documents**” shall mean the pre-filed draft red herring prospectus, the updated draft red herring prospectus-I, updated draft red herring prospectus-II, 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, Karnataka at Bengaluru and/or the stock exchanges where the equity shares of the Company are proposed to be listed, and any other regulatory authorities as applicable.

All capitalised terms not specifically defined in this Policy shall have the same meaning ascribed to such terms in the respective Offer Documents.

2. Identification of Group Companies

2.1 Requirement

As per the SEBI ICDR Regulations, the term “Group Companies”, is defined to include “*such companies (other than promoter(s) and subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer*”.

In light of this requirement, subject to paragraph 2.2, the following companies are to be treated as Group Companies of the Company:

- (i) companies (*other than promoter(s) and subsidiaries, as applicable*) with which there were related party transactions, during the period for which financial information is disclosed in the relevant Offer Document (the “**Relevant Period**”), as covered under Indian Accounting Standard (Ind AS) 24 (collectively, “**Accounting Standards**”); and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in paragraph 2.2.

2.2 Policy on materiality

Based on the above-stated definition, for the purposes of paragraph 2.1(ii), a company (other than promoter(s) and subsidiaries of the Company and companies covered under the schedule of related party transactions) shall be considered ‘material’ and will be disclosed as a ‘Group Company’ in the respective Offer Documents, if such company is: (i) a member of the promoter group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, and (ii) has entered into one or more transactions with the Company (on a

consolidated basis) during the most recent financial year and/or the relevant stub period (covered in the Restated Consolidated Financial Information included in the respective Offer Documents) that individually or in aggregate exceed 10.00% of the total restated consolidated revenue of the Company, as per the Restated Consolidated Financial Information of the Company for the most recent completed financial year and/ or the relevant stub period included in the respective Offer Documents.

The information about each of the group companies identified based on the above approach shall be disclosed in the Offer Documents in accordance with the SEBI ICDR Regulations.

3. Identification of ‘Material’ Litigation (excluding outstanding criminal proceedings, outstanding actions by statutory/regulatory authorities, disciplinary actions including penalty imposed by SEBI or Stock Exchanges against the promoters of the Company in the last five financial years preceding the date of the relevant Offer Document including outstanding actions and outstanding taxation matters)

3.1 Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following classes of outstanding litigation involving the Company, its Subsidiaries, Directors and Promoters (“**Relevant Parties**”):

- (i) All outstanding criminal proceedings (including matters which are at FIR stage even if no cognizance has been taken by any court);
- (ii) All outstanding actions (including all disciplinary actions, penalties and show cause notices) by statutory and/ or regulatory authorities;
- (iii) All outstanding taxation claims and proceedings – Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount involved (in the event any tax matters involve an amount exceeding the Materiality Threshold (defined below), in relation to the Relevant Parties, individual disclosures of such tax matters will be included); and
- (iv) Other pending litigation (including civil litigation or arbitration proceedings) – As per the policy of materiality as mentioned in paragraph 3.2 below defined by the Board and disclosed in the Offer Documents.

Further, any disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years including outstanding action is also required to be disclosed.

Additionally, the following pending litigations involving (either by or against) the key managerial personnel and senior management of the Company, shall be disclosed in the Offer Documents:

- (i) All outstanding criminal proceedings (including first information reports); and
- (ii) All outstanding actions (including show cause notices) by regulatory and statutory authorities.

3.2 Policy on materiality

Other than litigations mentioned in paragraphs 3.1 (i), (ii) and (iii) above, for the purpose of point (iv) above, any other pending litigation involving the Company and/or its Subsidiaries, its Directors and Promoters shall be considered “material” for the purpose of disclosure in the Offer Documents if:

- (i) the aggregate monetary amount of claim/dispute amount/liability involved, whether by or against the Relevant Parties, in any such pending litigation is in excess of the lower of the following: (a) 2% of the net worth of the Company as at the last date of the period for which Restated Consolidated Financial Information has been disclosed in the relevant Offer Document, except in case the arithmetic value of the net worth is negative; or (b) 2% of turnover of the Company for the period of the last completed Financial Year of the Restated Consolidated Financial Information; and (c) 5% of the average of absolute value of profit or loss after tax of the Company as per the audited Restated

Consolidated Financial Information for the last three Financial Years (the “**Materiality Threshold**”);

- (ii) pending litigations where the decision in one case is likely to effect the decision in similar cases such that the cumulative amount involved in such cases exceeds the Materiality Threshold, even though the amount involved in an individual litigation may not exceed the Materiality Threshold; or
- (iii) such pending litigation, the outcome of which is material from the perspective of the Company’s business, operations, financial results, prospects or reputation, irrespective that the amount involved in such litigation (including any litigation under the Insolvency and Bankruptcy Code, 2016) may not meet the Materiality Threshold or that the monetary liability of such litigation is not quantifiable.

Further, pre-litigation notices (other than those issued by governmental, statutory, tax or regulatory authorities) and matters in which summons have not been received by the Company, its Subsidiary, its Directors or its Promoters shall not be considered as litigation until such time that any of the Company, its Subsidiaries, its Directors or Promoters, as the case may be, is made a party to proceedings initiated before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced, or unless decided otherwise by the board of directors of the Company

3.3 *Group companies’ litigation*

In addition to the litigation specified in paragraphs 3.1 and 3.2, in accordance with the SEBI ICDR Regulations, the Company is also required to disclose any pending litigation involving its group companies (as identified under Paragraph 2 above, hereinafter “**Group Companies**”), which has a material impact on the Company. Accordingly, based on the review of the information provided to the Company through the certificates provided by the Group Companies, the Board/IPO Committee shall consider such outstanding litigation involving the Group Companies as material, if such outstanding litigation are material from the perspective of Company’s business, operations, financial results, prospects or reputation, irrespective of the amount involved in such litigation.

4. **Identification of ‘Material’ Creditors**

4.1 *Requirement*

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents of details of outstanding dues to creditors:

- (i) based on the policy on materiality of the Board details of creditors which includes consolidated number of creditors and the aggregate amount involved;
- (ii) consolidated information on outstanding dues to micro, small and medium enterprise and other creditors, separately giving details of number of cases and amount involved; and
- (iii) 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.

4.2 *Policy on materiality*

For identification of material creditors, in terms of point (i) and (iii) above, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents if amounts due to such creditor is equal to or exceed 5.00% of the total consolidated outstanding dues (i.e. ‘trade payables’) of the Company as of the end of the most recent period covered in the Restated Consolidated Financial Information.

5. 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 Offer Documents and should not be applied towards any other purpose.

This Policy shall be subject to review/changes as may be deemed necessary by the Board/IPO Committee and in accordance with regulatory amendments from time to time. This Policy shall be without prejudice to any additional disclosure requirement which may be prescribed by SEBI or the Stock Exchanges, including through any observations on the Offer Documents.
