

## **MATERIALITY POLICY**

This materiality policy ("**Policy**") has been formulated to define the respective materiality thresholds in respect of "Healthy Biosciences Limited" (the "**Company**"), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) ("**SEBI ICDR Regulations**"), in respect of the following:

- A. Identification of material companies to be disclosed as group companies;
- B. Identification of material litigation; and
- C. Identification of material creditors.

## **APPLICABILITY**

The board of directors of the Company ("**Board**") at their meeting held on 15<sup>th</sup> December 2023, discussed and approved this Policy. This Policy shall be effective from the date of its approval by the Board.

"**Offer Documents**" means the draft red herring prospectus, the red herring prospectus and the prospectus (each along with any addenda or corrigenda, thereto) to be filed 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, Punjab and Chandigarh at Chandigarh and the stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All other capitalized terms not specifically defined in this policy shall have the same meanings ascribed to such terms in the Offer Documents.

### **A. Identification of material companies to be disclosed as group companies**

#### ***Requirement:***

As per the requirements of the SEBI ICDR Regulations, group companies include (i) such companies (other than the subsidiaries, if any, and the promoters) with which there were related party transactions, during the period for which financial information is disclosed in the Offer Document(s), as covered under the applicable accounting standards; and (ii) other companies as considered "material" by the Board.

With respect to point (ii), companies (other than the companies covered under (i) above) which are identified based on the policy of materiality specified below, shall be disclosed in the Offer Documents.

***Policy on materiality:***

In addition to the companies covered in (i) above, for the purpose of disclosure in the Offer Documents, a company shall be considered material and shall be disclosed as a “Group Company”, (a) if such company is a member of the Promoter Group; and (b) with which there were transactions in the most recent financial period covered in the [restated financial statements] of the Company included in the Offer Documents, which individually or in the aggregate, exceed 10% of the total revenue from operations of the Company for such period.

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

**B. Identification of “Material” litigation**

***Requirement:***

As per the requirements of the SEBI ICDR Regulations, the Company must disclose the following outstanding litigation involving the Company, its directors and/or promoters (collectively “Relevant Parties”):

1. all criminal proceedings (including matters at FIR stage where no/some cognizance has been taken by any court);
2. all actions by regulatory authorities and statutory authorities;
3. disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years preceding the relevant Offer Document including outstanding action;
4. claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount. In the event any tax matter involve an amount exceeding the amount proposed in point (a) below, in relation to each Relevant Party, individual disclosures of such taxation matters will be included in the Offer Document; and
5. other pending litigations or arbitration proceedings- as per policy of materiality defined by the Board.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose

such outstanding litigation involving the group companies which has a material impact on the Company.

Pre-litigation notices received by any of the Relevant Parties from third parties (excluding those notices issued by statutory / regulatory / governmental / tax / judicial authorities or notices threatening criminal action) shall, in any event, not be considered as litigation and accordingly not be disclosed in the Offer Documents until such time that Relevant Parties, as applicable, are impleaded as defendants in litigation proceedings before any judicial forum.

***Policy on materiality:***

Other than litigations mentioned in points (i) to (iv) above, any other pending litigation involving the Relevant Parties would be considered “material” for the purpose of disclosure in the Offer Documents, if:

- (a) the monetary amount of claim, to the extent quantifiable, in any such outstanding litigation is equivalent to or in excess of 1% of the profit after taxes for the most recent completed financial year, as per the [restated financial statements] included in the Offer Documents; or
- (b) any outstanding litigation, whether quantifiable or not, but an adverse outcome of which would materially and adversely affect the Company’s business, prospects, operations, performance, financial position or reputation.

Any pending litigation involving the group companies, as identified in accordance with provisions of SEBI ICDR Regulations would be considered to have a “material impact” on the Company for the purpose of disclosure in the Offer Documents, if an adverse outcome from such pending litigation would materially and adversely affect the business, operations, performance or financial position or reputation of the Company.

**C. Identification of material creditors**

***Requirement:***

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company for outstanding dues to creditors as follows:

- (i) based on the policy on materiality defined by the Board, details of the creditors which include the consolidated number of creditors and the aggregate amount

- involved;
- (ii) consolidated information on outstanding dues to micro, small and medium enterprises (“**MSME**”) and other creditors, separately giving details of number of cases and amount involved will be disclosed in the Offer Documents; and
  - (iii) complete details about outstanding over-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 outstanding dues to MSME and other creditors, the disclosure will be based on information available with the Company regarding the status of the creditors as MSME as defined under Section 2 read with Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report.

***Policy on materiality:***

For identification of a material creditor, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents and the website of the Company, if amounts due to such creditor is equivalent to or in excess of 5% of the trade payables of the Company as at the end of the most recent financial period covered in the restated financial statements included in the Offer Documents.

**GENERAL**

It is clarified that the Policy is solely for the purpose of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents, and should not be applied towards any other purpose, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

\*\*\*\*\*