

MATERIALITY POLICY FOR DISCLOSURE IN THE OFFER DOCUMENTS

Background

This policy (the “**Policy**”) has been formulated to define the respective materiality thresholds in respect of Clean Max Enviro Energy Solutions Limited (the “**Company**”) in terms of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**SEBI ICDR Regulations**”), to be disclosed in the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and any addendum or corrigendum thereto (“**Offer Documents**”) in respect of the following:

- (i) identification of ‘material’ outstanding legal proceedings involving the Company, its Subsidiaries, Promoters, and Directors (“**Relevant Parties**”);
- (ii) outstanding regulatory and criminal matters involving the Key Managerial Personnel and the Senior Management of the Company;
- (iii) identification of companies to be considered as Group Companies;
- (iv) approach on disclosure of outstanding litigation involving the Group Companies of the Company, having a material impact on the Company; and
- (v) identification of material creditors of the Company.

I. Material Litigation

A. Material Outstanding Civil Litigation:

In accordance with the SEBI ICDR Regulations, any outstanding litigation (other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary actions including any penalty imposed by SEBI or stock exchanges against the Promoters in the last five Financial Years, including any outstanding actions) involving the Relevant Parties shall be considered ‘material’, if the value or expected impact in terms of value, exceeds the lower of the following (“**Materiality Threshold**”):

1. 2% of turnover as per latest annual restated consolidated financial statements, being ₹ 299.14 million for Fiscal 2025;
2. 2% of net worth as per latest annual restated consolidated financial statements, except in case arithmetic value of net worth is negative, being ₹ 512.70 million for Fiscal 2025; or
3. 5% of average of absolute value of profit/ loss after tax as per last three annual restated consolidated financial statements, being ₹ 19.42 million for Fiscal 2025.

For the purposes of disclosing material outstanding civil litigation involving the Relevant Parties and as per the above, we propose a materiality threshold of 5% of the average of absolute value of profit/ loss after tax as per last three audited consolidated financial statements, being **₹ 19.42 million**.

Further, the following outstanding litigation (other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary actions including any penalty imposed by SEBI or stock exchanges against the Promoters in the last five Financial Years, including any outstanding actions) shall also be considered ‘material’ litigation in relation to the Relevant Parties:

- a. Litigations where the decision in a particular litigation is likely to affect the decision in similar ongoing litigations, and the cumulative value or expected impact in terms of value involved in all such litigations exceeds ₹ 19.42 million, even though the value or expected impact in terms of involved in an individual litigation may not exceed ₹ 19.42 million: and

- b. All outstanding litigation, including title disputes involving the Company and its Subsidiaries, which may not meet the Materiality Threshold or is not quantifiable, but where an adverse outcome would materially and adversely affect the business, prospects, operations, performance, financial position or reputation of the Company on a standalone or consolidated basis.

B. Other Legal Proceedings

In addition to the material civil litigation involving the Relevant Parties, the following will also be disclosed in the Offer Documents:

- a. all outstanding criminal proceedings (including matters which are at FIR stage even if no cognizance has been taken by any court) involving the (i) Relevant Parties and (ii) Key Managerial Personnel and Senior Management, who have been identified in accordance with the SEBI ICDR Regulations;
- b. all outstanding actions (including all outstanding penalties and show cause notices) by regulatory authorities and statutory authorities against the (i) Relevant Parties and (ii) Key Managerial Personnel and Senior Management, who have been identified in accordance with the SEBI ICDR Regulations;
- c. disciplinary actions including any penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years preceding the date of the relevant Offer Document (including outstanding actions); and
- d. outstanding claims related to direct and indirect taxes in a consolidated manner, giving the number of cases and total amount involved in such cases (with separate disclosures regarding claims related to direct or indirect taxes which exceed the Materiality Threshold), involving the Relevant Parties will be disclosed in the Offer Documents.

For the purposes of (b) above, notices issued by statutory or regulatory authorities (including any judicial, quasi-judicial, administrative authorities or enforcement authorities) received by the Relevant Parties, Key Managerial Personnel or the Senior Management which are in the nature of requests for information have not been considered as litigation. For the purposes of (d) above, show cause notices (including a claim for amount), demand notices and any claims received in writing by the Relevant Parties have been considered and requests for information or clarifications, if any, received without any claim amount have not been considered.

For the above purposes, pre-litigation notices received by the Relevant Parties, Key Managerial Personnel and the Senior Management from third parties (excluding actions as covered under (b) above), shall not be considered as litigation until such time that any of the Relevant Parties, Key Managerial Personnel and the Senior Management are impleaded as a defendant in the litigation proceedings before any judicial/ quasi-judicial forum or arbitral forum.

II. Material dues owed to outstanding creditors

In relation to disclosure of outstanding dues owed to material creditors, in accordance with the requirements of the SEBI ICDR Regulations, we propose that dues owed by the Company to any creditor of the Company having a monetary value which exceeds 5% of the total trade payables of the Company, as on the end of the latest financial period, included in the restated consolidated financial statements of the Company disclosed in the Offer Documents. Accordingly, dues owed by the Company to any creditor of the Company having a monetary value which exceeds ₹ 647.71 million, which is 5% of the total trade payables of the Company as at March 31, 2025, shall be considered as material dues for the Company. A link to the Company's website with details pertaining to the outstanding dues to material creditors, along with names and amounts involved for each such material creditor, shall be included in the Offer Documents.

Further, for outstanding dues to micro, small or medium enterprises (“MSME”), the consolidated tabular disclosure will include the details of the number of cases and amounts involved, based on information available with the Company regarding status of the creditor as defined under Section 2 of the Micro, Small and Medium Enterprises Act, 2006, as has been relied upon by the statutory auditors in preparing their audit report.

III. Materiality approach for group companies:

The SEBI ICDR Regulations, define “group companies” as “*such companies (other than promoter(s) and subsidiary/ 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*”.

Therefore, for the purpose of disclosure in Offer Documents, the following shall be considered group companies of the Company:

- (i) such companies (other than any corporate promoters and subsidiaries of the Company) with which there were related party transactions, during the periods for which financial information will be disclosed in the Offer Documents, as covered under the applicable accounting standards; and
- (ii) any other company as considered material by the board of directors of the Company (“**Board**”).

With respect to point III (ii) above, for the purpose of disclosure in the Offer Documents, a company shall be considered “material” and will be disclosed as a group company in the Offer Documents, if it is a member of the promoter group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, with which the Company has entered into one or more transactions during the last completed financial year and stub period, if any, and where the aggregate of all such transactions with the same company, exceeds 10% of the revenue from operations of the Company for such year and period, as per the restated consolidated financial statements to be included in the Offer Documents.

Policy for litigation involving the Group Companies

Under the SEBI ICDR Regulations, any litigation involving the Group Companies is required to be disclosed if it has a material impact on the Company. All Group Companies shall identify pending litigation which are considered material by the respective Group Companies and which, in the view of the Board, may have a material impact on the Company. Accordingly, the Board shall consider such outstanding litigation involving the Group Companies as material, which will have material impact from the perspective of Company’s business, operations, financial results, prospects or reputation irrespective of the value or expected impact in terms of value in such litigation. The assessment for materiality will be undertaken based on certificates obtained from the relevant group company.

For the purposes of the above, pre-litigation notices received by such group companies from third parties (excluding those notices issued by governmental, statutory or regulatory or taxation authorities or where criminal action is threatened) shall not be considered material until such time that such group company is impleaded as a defendant in litigation before any judicial/ quasi-judicial forum or arbitral forum.

GENERAL

It is clarified that the Policy is solely for the purpose of disclosure requirements prescribed under the SEBI ICDR Regulations, as amended, 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, post listing of the equity shares of the Company on the relevant stock exchanges.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder or by SEBI and/ or such other regulatory, judicial, quasi-judicial, administrative or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Offer Documents, or additional disclosures that may arise on account of any investor or other complaints.

This Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.

All capitalised terms used but not specifically defined in this Policy shall have the same meaning as ascribed to them in the Offer Documents.