Functional & Innovative Foods

REDEFINING NUTRITION

FUNCTIONAL & INNOVATIVE FOODS LIMITED

(Formerly known as Functional & Innovative Foods Private Limited)

(U15400TZ2020PLC034564)

MATERIALITY POLICY

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INTRODUCTION

This materiality policy (the "**Policy**") has been formulated to define the respective materiality policies in relation to the proposed initial public offering of the equity shares of Functional & Innovative Foods 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 (the "**SEBI ICDR Regulations**"), in respect of the following:

A. Identification of material companies to be disclosed as Group Companies in the Offer Documents (as defined hereinafter);
B. Identification of the 'material' outstanding litigation (in addition to all criminal proceedings, tax proceedings and actions by statutory/ regulatory authorities) involving the Company, its Promoters, Subsidiaries and Directors (collectively, the "**Relevant Parties**"), and all criminal proceeding and actions by statutory/ regulatory authorities involving the Key Managerial Personnel and Senior Management (collectively, the "**Personnels**"); and
C. Identification of 'material' creditors and outstanding dues therein.

APPLICABILITY

The board of directors of the Company (the "**Board**") at their meeting held on June 20, 2026 discussed and approved this Policy. This Policy shall be effective from the date of its approval by the Board.

In this Policy, the term "**Offer Documents**" shall mean the draft red herring prospectus, the red herring prospectus and the prospectus and any addendum or corrigendum 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, Registrar of Companies, Coimbatore and stock exchanges where the equity shares of the Company are proposed to be listed and any other regulatory authorities as applicable.

The term "**Restated Consolidated Financial Information**" shall mean the restated consolidated financial information of the Company and its subsidiaries, as disclosed in the relevant Offer Documents, together with the summary statement of significant accounting policies, and other explanatory information thereon derived from the relevant audited financial statements, including any special purpose interim audited statements, prepared in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (read with the Companies (Indian Accounting Standards) Rules, 2015, as amended) and restated in accordance with the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time.

All other capitalised terms not specifically defined in this Policy shall have the meanings ascribed to such terms in the Offer Documents.

A. Identification of material companies to be disclosed as Group Companies

Requirement:

Regulation 2(t) of SEBI ICDR Regulations defines the term **"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 in the Offer Documents, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer"*.

Therefore, as per the requirements of the SEBI ICDR Regulations, Group Companies shall include:

(i) companies (other than Subsidiaries) with which there were related party transactions, during the period for which financial information will be disclosed in the Offer Documents, as covered under the Indian Accounting Standard (Ind AS) 24; and

(ii) companies as considered material by the Board.

Policy on Materiality:

With respect to (ii) above, all such companies which are falling under criteria specified in (i) above, will be considered material and disclosed as a "group company" in this Draft Red Herring Prospectus.

The relevant financial information of the group companies identified, based on the above approach, will be disclosed on the website of respective group companies or on the website of the Company, as the case may be, in accordance with the SEBI ICDR Regulations.

B. Identification of material litigation

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company shall disclose the following outstanding litigations involving the Relevant Parties:

(i) all outstanding criminal proceedings (including matters which are at FIR stage even if no / some cognizance has been taken by any court or any judicial authority);

(ii) all outstanding actions (including all penalties and show cause notices) by regulatory and statutory authorities;

(iii) disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years preceding the relevant Offer Documents including any outstanding action;

(iv) 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 involves an amount exceeding the Threshold (defined below) in relation to each Relevant Party, individual disclosures of such tax matters will be included; and

(v) other pending litigations, including civil and/or arbitration proceedings as per the following:

a. As per policy of materiality defined by the Board and disclosed in the Offer Documents; or

b. Litigation where the value or expected impact in terms of value, exceeds the lower of the following:

i. two percent of turnover, for the most recent financial year, as per the Restated Consolidated Financial Information; or

ii. two percent of net worth, as at the end of the most recent financial year, as per the Restated Consolidated Financial Information, except in case the arithmetic value of the net worth is negative; or

iii. five percent of the average of absolute value of profit or loss after tax, for the last three financial years, as per the Restated Consolidated Financial Information.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose in the Offer Documents such (i) outstanding litigation involving the group companies (as identified above) which has a material impact on the Company in the opinion of the Board, if an adverse outcome from such pending litigation would materially and adversely affect the business, prospects, operations, performance, financial position or reputation of the Company in accordance with provisions of the SEBI ICDR Regulations, and (ii) outstanding criminal litigation proceedings (including matters which are at FIR stage even if no / some cognizance has been taken by any court as well as notices threatening criminal action) and actions by statutory or regulatory authorities (including notices issued by statutory/ regulatory/governmental/ tax authorities) involving the Personnels.

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Policy on materiality:

Other than the litigation mentioned in points (i), (ii), (iii) and (iv) above, for the purpose of point (v) above, any other outstanding litigation, including civil and/or arbitration proceedings, involving the Relevant Parties would be considered 'material' for the purpose of disclosure in the Offer Documents, if the monetary amount of claim/ amount in dispute, to the extent quantifiable exceeds, (a) two percent of turnover, for the most recent financial year as per the Restated Consolidated Financial Information; or (b) two percent of net worth, as at the end of the most recent financial year as per the Restated Consolidated Financial Information, except in case the arithmetic value of the net worth is negative; or (c) five percent of the average of absolute value of profit or loss after tax, for the last three financial years, as per the Restated Consolidated Financial Information, whichever is lower ("**Threshold**").

Further, any outstanding civil litigation/ arbitration proceedings involving the Relevant Parties wherein the monetary liability is not quantifiable, or does not exceed the Threshold, shall be considered 'material' and shall be disclosed in the Offer Documents, if the outcome of such litigation could have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company.

Further, any such litigation where the decision in one case is likely to affect the decision in similar matters such that the cumulative amount involved in such matters exceeds the Threshold as specified above, even though the amount involved in an individual matter may not exceed the Threshold as specified above, shall be considered 'material' and shall be disclosed in the Offer Documents.

Further, any indirect or direct tax litigation which involves a claim amount greater than the Threshold, as defined above, will also be disclosed individually.

It is clarified that: (a) First information reports (FIRs) (whether cognizance has been taken or not) initiated against the Relevant Parties shall also be disclosed in the Offer Documents; and (b) Pre-litigation notices received by the Relevant Parties from third parties (excluding those notices issued by statutory/ regulatory/governmental/ tax authorities or notices threatening criminal action) shall not be considered as litigation until such time that the Relevant Parties and Personnels are impleaded as defendants/ parties in litigation/ arbitration proceedings before any judicial/ arbitral forum.

C. Identification of material creditors and outstanding dues therein

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents 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, will be disclosed in the Offer Documents;

(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 will be disclosed in the Offer Documents. For outstanding dues to micro, small and medium enterprises ("**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 and 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.; 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 in the Offer Documents.

Policy on materiality:

For the purpose of identification of material creditors for disclosure in the Offer Documents in terms of point (i) above, a creditor of the Company shall be considered to be material, if the amounts due to such creditor is equivalent to or in excess of 5% of restated consolidated trade payables of the Company as of the end of the most recent financial period covered in the Restated Consolidated Financial Information 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 after the listing of the equity shares of the company.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the offer documents or by SEBI and such other regulatory, judicial, quasi-judicial, governmental, administrative or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI or by the Stock Exchanges, including through their observations on the Offer Documents, or disclosures that may arise from 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 other capitalized terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the offer documents

For, Functional & Innovative Foods Limited
(Formerly known as Functional & Innovative Foods Private Limited)

Ammapalayam Sengottaiyan Chenniappan
Whole Time Director
DIN: 07716106

Functional & Innovative Foods Limited
Tiruchengode