POLICY ON MATERIALITY
OF
B.A.G. CONVERGENCE LIMITED

(Formerly known as B.A.G. Convergence Private Limited)

(Pursuant to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018)

(Effective from 17th September 2024 and updated on 28th March 2025)

1. Introduction

This materiality policy ("the Policy") has been formulated for the identification of group companies, outstanding litigation and outstanding dues to creditors in respect of **B.A.G. Convergence Limited** ("the Company"), pursuant to the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations"), which requires the policy of materiality to be disclosed in the Draft Offer Document and Offer Document.

This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company ("Board"). In this Policy, the terms "Draft Offer Document" and "Offer Document" shall have the meaning assigned to it under SEBI ICDR Regulations.

2. Group Companies

2.1 Requirement:

As per the requirements of the SEBI ICDR Regulations, "Group companies", wherever the term occurs, shall include such companies (other than promoter(s) and subsidiary/subsidiaries) with whom there have been related party transactions, reported during the period for which the financial information is required to be disclosed in the Draft Offer Document and Offer Document as per SEBI ICDR Regulations, as covered under the applicable accounting standards, and also other companies as considered material by the Board. The policy on materiality for determination of such companies as considered material by the Board, as below, shall be disclosed in the Draft Offer Document and Offer Document.

2.2 Policy on Material Group Companies

The following companies shall be considered as material Group Company (ies) under the Draft Offer Document and Offer Document

- where the Company has entered into one or more transactions with such companies which are identified as related parties in accordance with the Accounting Standards-18 as per Related Financial Statements and
- shall include all such companies, which are considered material by the Board of Directors.

  For the avoidance of doubt, it is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other applicable authority with respect to listed companies and that the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and should not be applied towards any other purpose.

3. Litigations

3.1 Requirement:

The Company shall disclose all the litigations involving the Company or its directors or its promoters or its group companies or its subsidiaries, whichever is applicable, relating to:

- All criminal proceedings;
- All actions by statutory/ regulatory authorities;
- Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount;
- Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
- *Other pending litigations based on lower of threshold criteria mentioned below–
  (i) As per the policy of materiality defined by the board of directors of the issuer and disclosed in the offer document; or
  (ii) Litigation where the value or expected impact in terms of value, exceeds the lower of the following:
    (a) two percent of turnover, as per the latest annual restated consolidated financial statements of the issuer; or
    (b) two percent of net worth, as per the latest annual restated consolidated financial statements of the issuer, 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, as per the last three annual restated consolidated financial statements of the issuer.

  *{*Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 03.03.2025}*

**All criminal proceedings involving key managerial personnel and senior management of the issuer and also the actions by regulatory authorities and statutory authorities against such key managerial personnel and senior management of the issuer shall also be disclosed.

*{** Substituted by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025 w.e.f. 03.03.2025}*

3.2 Policy on Material Litigation:

The Board has formed the following policy on determination of Material Litigation. The Policy approved by the Board is:

- All litigation pertaining to the Company, its directors/promoters/group companies/subsidiaries which are in the nature of criminal, statutory/regulatory and taxation related are deemed to be material by the Board.
- Further, the Board considers all other litigation pertaining to the Company, its directors/promoters/group companies/subsidiaries which exceeds 5% of the revenue of our Company as per the audited previous full financial statements shall be considered as material.

Further, for the purposes of determining material litigation(s) involving our Directors, the Board shall consider all outstanding litigation involving each director and it believe that if any such litigation has an adverse outcome and therefore, would materially and adversely affect the reputation, operations or financial position of our Company, it shall be considered as material litigation and accordingly. Each of our directors shall identify and provide information relating to such outstanding litigation involving themselves.

It is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other governmental authority with respect to listed companies and that the above policy on materiality is solely from the Policy on Materiality as adopted by the Board of the Company perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and should not be applied towards any other purpose.

Furthermore, the above policy on materiality shall be without prejudice to the disclosure requirements prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the Draft Offer Document and Offer Document.

4. Outstanding dues to Creditors

4.1 Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Draft Offer Document and Offer Document for outstanding dues to creditors:

- Based on the policy on materiality of the Board of the Company, details of creditors which include the consolidated number of creditors and the aggregate amount involved;
- 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 overdues to material creditors as per (i) and (ii) above along with the name and amount involved for each such material creditor shall disclosed, on the website of the Company with a web link thereto.

4.2 Policy on Materiality with respect to outstanding dues to creditors

The Board has formed the following policy on determination of material creditors. The Policy as approved by the Board is:

All outstanding dues owed by the Company to small scale undertaking and other creditors exceeding 5% of the revenue of our Company as per the audited previous full year financial statements shall be considered as material by our Board and the same will be

disclosed in the Annual Report of the Company. The Board is authorized to display the details of such creditors on the website of our Company.

The Company shall make relevant disclosures before the Audit Committee/Board as required by applicable law from time to time.

It is clarified that the above policy on materiality of creditors shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other applicable authority with respect to listed companies and the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and the website of the Company and should not be applied towards any other purpose.

5. Amendment

The Board (including its duly constituted committees wherever permissible), shall have the power to amend any of the provisions of the Policy, substitute any of the provisions with new provision or replace this Policy entirely with the new Policy. This Materiality Policy shall automatically stand amended to reflect any change to the SEBI Regulations, to the extent the same is subject matter of this Policy.

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