



POLICY ON CRITERIA FOR RELATED PARTY TRANSACTION AND MATERIALITY

**On the recommendation of the Audit Committee and adopted by the Board of Directors at their
meeting held on 01 April 2025**

1. Preamble:

Related party transactions can present a potential or actual conflict of interest that may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Digitide Solutions Limited (“Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the Listing Regulations requires the company to formulate a policy on the materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors.

2. Objective:

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act; (c) Appropriate disclosures of all applicable transactions under Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. Definitions:

3.1 “Act” means the Companies Act, 2013

3.2 “Regulation 23” means Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.3 “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.

Pricing may not be the only determinant of a transaction being at arm’s length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm’s length basis. The following has been considered to be helpful in concluding whether a transaction is on an arm’s length basis:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price (or margin) at which entered into with independent third parties
- The transaction is in line with third party quotations / bids
- The transaction is at a price / rate in line with Government guidelines / industry body (data provided for by say, NASSCOM, CII / ASSOCHAM etc.) / specifications where relevant
- Cost sharing arrangements, where costs are shared based on the benefit derived.
- Taking assistance of an expert – valuation specialist
- Principles under the transfer pricing guidelines (considering whether the pricing would be in line with what would have been charged to an unrelated party, without any conflict of interest)

3.4 “Key Managerial Personnel” or “KMP” shall have the meaning as defined under sub-section 51 of section 2 of the Act and the rules framed thereunder.

3.5 “Materiality” means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower as per the last audited financial statements of the listed entity. Provided that in case of any amendment to the Act or Listing

Regulations, the definition of Material Related Party Transactions will be deemed to be changed without any further approval of the Audit Committee or Board. A transaction involving payment made to a related party with respect to brand usage or royalty, exceeding 5% of the annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

3.6 “Material Modifications” means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 20% of the originally approved transaction, in case of exigencies only.

3.7 “Ordinary Course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

3.8 “Relative” means with reference to any person, as defined under sub-section (77) of section 2 of the Act or under the applicable accounting standards.

3.9 “Related Party” means a Related Party as defined under sub-section (76) of section 2 of the Act and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

3.10 “Related Party Transaction” has the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether the price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or the rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. appointment to any office or place of profit in the company
- g. underwriting the subscription of any securities or derivatives thereof, of the company

Further the Related Party Transactions approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee, CSR Committee, Risk Management Committee and Stakeholders Relationship Committee, if any, shall be deemed to have approval of the Audit Committee from the RPT perspective and the same need not be approved by the Audit Committee once again.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

4. Manner of dealing with related party transactions:

All Related Party Transactions and subsequent material modifications must be approved by the Audit Committee (“**Committee**”) and may be referred by the Committee to the Board and/or Shareholders for its/their approval, as may be required in accordance with this Policy.

Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

4.1 Identification of Related Party

- i.** Related parties shall be identified under the Act & as per Regulation 2(1)(zb) of the Listing Regulations as amended from time to time and regularly verified.
- ii.** The Secretarial team and Finance team shall, always, maintain a database of Company's Related Parties, identified based on definition for the related party as per Act and Listing Regulations. The database should contain the names of individuals and Companies along with their personal/company details including any revisions therein.
- iii.** The Secretarial and Finance team should share the list of the related party to the relevant Functional heads on a quarterly basis and in case of any changes in the list based on the event-based declarations.
- iv.** Every Promoter, Director and Key Managerial Personnel of the Company and its subsidiary and joint venture shall inform the Secretarial Department of the Company at the time of its appointment or of any change in the information previously provided on the list of related parties of the Company about his / her Relatives and all firms, entities, body corporates, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be) and any potential Related Party Transaction, including any additional information about the transaction that the Board/ Committee may reasonably request.
- v.** The list of identified related parties will be tagged and updated in the accounting system on a quarterly basis and also periodically sent out to those staff of the Company that might be in the position to conduct or know of the possible conduct for Related Party Transactions.

4.2 Procedure for Approval and Ratification of Related Party Transaction

Approval of the Audit Committee

The Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to compliance with the following conditions:

- A.** The Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions and such approval shall be applicable in respect of transactions that are repetitive in nature.
- B.** The Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- C.** In summary, prior approval of Audit Committee is required for the following Related Party Transactions:
 - i.** Where Company is a party
 - ii.** Where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
 - iii.** Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.
 - iv.** remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23.
- D.** Such omnibus approval shall specify:
 - a.** Type, material terms and particulars of the proposed transaction;
 - b.** Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);

- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage is calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore (One Crores) per transaction.

- E. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:
 - i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
- F. The Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given and shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- G. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of 1 year.
- H. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- I. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.
- J. The Audit Committee shall also pre-approve related party transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value crosses the thresholds as prescribed under the Listing Regulations Any other conditions as the Audit Committee may deem fit.

Ratification of Related party transactions:

The members of the audit committee, who are independent directors, may ratify related party transactions

within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

4.3 Policy on Determination of Materiality of Related Party Transactions

- All Transactions which are not in the ordinary course of business or not as per arm's length pricing or both will be put up for prior approval of the Board. The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.
- If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, then such RPT and any subsequent material modification thereto, shall require shareholders' approval by a resolution. In such a case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

Exclusion:

Which is entered into between a holding company and its wholly-owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. (Regulation 23(5)(b) of the Listing Regulations).

4.4 Related Party Transaction not approved under this policy:

- In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.
- In cases where the Board and/or shareholders' approval is required, and a contract or arrangement is entered into by a director or any other employee, without obtaining such consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board, or as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorized

by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

- In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this Policy.

5. Disclosure and Reporting

- i. Details of the Related Party Transactions during the quarter shall be disclosed in the Committee and Board meeting. The Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary, pursuant to each of the omnibus approval given, if any.
- ii. The Company shall disclose to the Stock Exchange along with the compliance report on Corporate Governance on quarterly basis details of all material transactions with related parties.
- iii. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- iv. The Policy shall be made available on the website of the Company- www.digitide.com and a web link thereto shall be provided in the Company's Annual Report.
- v. The listed entity shall submit on the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

6. Review

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise. The aforesaid policy shall be reviewed atleast once every three years and updated accordingly.

7. Amendments

On recommendation of Audit Committee, the Board may modify the policy from time to time with suitable modification suggested by Audit Committee as may be necessary.
