

**AUSTERE SYSTEMS LIMITED**  
**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING**  
**WITH RELATED PARTY TRANSACTIONS**

(Effective from Thursday, 1st Day of August 2024 approved by Board of Director on  
Thursday, 1st Day of August 2024)

**1. Introduction**

The Securities Exchange Board of India (SEBI), on September 2, 2015, notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**the Regulations**”).

As per Regulation 23 of the SEBI LODR Regulations, Austere Systems Limited (the “**Company**”) has adopted a Policy namely “**Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions**” (the “**Policy**”) to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

**2. Objective of the policy**

The Board of Austere Systems Limited (the “**Company**”), after considering the recommendation of the Audit Committee, has adopted this Policy and associated procedures with regard to Related Party Transactions, in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations, 2015’) as amended from time to time, respectively.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

**3. Definitions**

“**Act**” means Companies Act, 2013, rules framed thereunder and any amendments thereto.

“**Arm’s Length Transaction**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no question of conflict of interest. The Audit Committee of the Board of Directors may take outside advice/consultation from expert in case of doubt relating to determining whether a transaction has been done at arm’s length price.

“**Associate Company**” in relation to another Company, means a Company in which that other Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of Associate Company (i) "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement; and (ii) "joint venture" means a joint arrangement

whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**“Audit Committee or Committee”**: Audit Committee is the committee which is constituted by the Company pursuant to section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the Regulations.

**“Board”** means Board of Directors of the Company.

**“Body Corporate”** or **“Corporation”** includes a Company incorporated outside India as per sub-section (11) of Section 2 of the Act, but does not include—

- (i) a co-operative Society registered under any law relating to Co-operative Societies; and
- (ii) any other Body Corporate (not being a Company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

**“Control”** shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner as per subsection (27) of Section 2 of the Act.

**“Compliance Officer”** means Company Secretary of the Company.

**“Holding Company”** in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per sub-section (46) of Section 2 of the Act.

**“Key Managerial Personnel”** or **“KMP”** shall have the same meaning as defined in subsection (51) of Section 2 of the Act.

**“Material Related Party Transaction”** means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ₹1,000 crores (Rupees One Thousand Crores) or 10 (ten) % of the annual consolidated turnover of the Company whichever is lower as per the last audited Financial Statements of the Company as defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Companies Act, 2013. Provided that in case of any amendment to the Act or Regulations, the definition of Material Related Party Transactions will be deemed to be changed without any further approval of the Audit Committee or Board.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered individually or taken together with the previous transactions during a financial year exceed 5% of the annual consolidated turnover of the Company as per its last audited Financial Statements.

**“Material Modification”** means an increase in the value of transactions approved by Audit Committee by 20 % in any given financial year.

**“Materiality Threshold”** means limits for Related Party Transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

**"Net Worth for this policy"** means the aggregate value of the paid-up Share Capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation as per sub-section (57) of Section 2 of the Act.

**"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. Examples of transactions that the Company would consider to be in the ordinary course of business would include but not limited to:

- The Company had entered into such transactions over the years in the past for furtherance of its business;
- The transaction is carried out at sufficient frequency;
- The transaction was in furtherance of the business of the Company and is consistent with its business objective of augmenting and acquiring newer capabilities;
- The transaction is undertaken on arm's length basis;
- The transactions which form part of the Revenue from Operations, the costs of goods sold and the normal expenses incurred for operating the business (considering the business rationale and without any conflicted terms and conditions as compared to transactions with independent third parties);
- A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary will generally be assessed on a case-to-case basis as to whether they could be considered to be in the ordinary course of business; and
- The Company/Audit Committee may take outside advice/consultation from expert in case of doubt relating to determining whether a transaction has been done at ordinary course of business.

#### **"Related Party"**

##### **As per Regulation 2(1)(zb) of the Regulations:**

As defined under sub-section (76) of Section 2 of the Act or under the applicable Accounting Standards. Provided that following shall also be deemed to be a related party:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
  - (i) of twenty per cent or more; or
  - (ii) of ten per cent or more, with effect from April 1, 2024;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

**"Relative"** means any person as per sub-section (77) of Section 2 of the Act and rules prescribed there under and as per Regulation 2(1)(zd) of the Regulations as amended from time to time.

#### **"Related Party Transaction"**

**A. As per Regulation 2(1)(zc) of the Regulations:**

Related Party Transaction means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2024;.

regardless of whether a 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

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - (i) payment of dividend;
  - (ii) subdivision or consolidation of securities;
  - (iii) issuance of securities by way of a rights issue or a bonus issue; and
  - (iv) buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

**B. As per Section 188 of the Act:**

In case of specified Related Party Transaction(s) as mentioned in section 188(1) of the Companies Act, 2013 prior approval of Board and/or Shareholders is required for entering into any contract or arrangement with a Related Party as per the following:

- (a) Prior approval of the Board at a meeting - which are not in ordinary course of business or not on arm's length basis; and
- (b) Prior approval of the Shareholders by a resolution- which are not in ordinary course of business or not on arm's length basis and beyond threshold limits.

Sr. No.	Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013	
	Approval of the Board	Materiality Threshold
b)	sale, purchase or supply of	Exceeding [10] % of the turnover of the

	any goods or materials	Company.
c)	selling or otherwise disposing of, or buying, property of any kind	Exceeding [10] % of net worth of the Company.
d)	leasing of property of any kind	Exceeding [10] % of the net worth of the Company or [10] % of turnover of the Company.
e)	Availing or rendering of any services	Exceeding [10] % of the turnover of the Company.
f)	appointment of any agent for purchase or sale of goods, materials, services or property	As per the limit prescribed in clause a), b) and d), in case resulted into appointment of an agent.
g)	such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. [2.5] lakhs.
h)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding [1] % of the net worth.

Explanation(s):

Limits specified in sub-clauses a) to d) shall apply for transactions or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

Turnover or net worth shall be computed on the basis of the audited Financial Statement of the preceding Financial Year.

**“Securities”** means the Securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulations) Act, 1956.

**“Subsidiary Company”** or **“Subsidiary”**, in relation to any other Company (that is to say the Holding Company), as per the sub-section (87) of Section 2 of the Act means a Company in which the Holding Company:

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than 1/2 (one-half) of the total voting power either at its own or together with one or more of its Subsidiary Companies.

**“Office or Place of Profit”** as per Section 188 of the Act means any office or place:

- (i) where such office or place is held by a Director, if the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a Director or by any firm, Private Company or other Body Corporate, if the individual, firm, Private Company or Body Corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

All other words and expressions used but not defined in the Policy but defined in the SEBI Act, 1992, the Act, the Regulations, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/ or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

#### **4. Approving Authority**

##### **By the Audit Committee:**

##### **Under the Regulations**

- All Related Party Transactions and subsequent Material Modifications as per the Regulations shall require the prior approval of the Audit Committee at a Meeting of the Audit Committee or by way of circulation.
- A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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 consolidated turnover, as per the last audited financial statements of the Company.
- A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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 (with effect from April 1, 2023).
- Prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 are applicable to such listed subsidiary.

##### **Under the Act**

Any transaction or any subsequent modification of transactions of the Company with related parties shall require the approval of the Audit Committee at a Meeting of the Audit Committee or by way of circulation or ratify within three months from the date on which such contract or arrangement was entered into in situations where prior approval could not be obtained

##### **By the Board**

##### **Under the Regulations**

All Material Related Party Transactions and subsequent Material Modification under the Regulations which are subject to approval of the Shareholders shall require the approval of the Board of Directors at a Meeting of the Board, as required under the Regulations.

#### **Under the Act**

All "Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length" shall require the prior approval of the Board of Directors at a Meeting of the Board and required compliances prescribed under section 188 of the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended or ratify within three months from the date on such contract or arrangement was entered into.

#### **By the Shareholders of the Company:**

##### **Under the Regulations**

All Material Related Party Transactions under the Regulations shall require approval of the Shareholders' by means of a Resolution passed at a General Meeting or through Postal Ballot or ratify within three months from the date on such contract or arrangement was entered into All entities falling under the definition of Related Parties shall not vote to approve such resolution irrespective of whether the entity is a party to the particular transaction or not.

Provided that the aforesaid requirement shall not apply in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

##### **Under the Act**

All "*Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length*" and exceeding the prescribed criteria under Section 188 of the Act shall require prior approval of the Shareholders'.

### **5. Approval Process for Transaction with Related Party**

#### **Omnibus approval by the Audit Committee:**

- (a) As per the terms of reference approved by the Board, the Company may obtain omnibus approval from the Audit Committee for Related Party Transactions in accordance with the Act and the Regulations.
- (b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:
  - (i) Repetitiveness/ frequency of the transaction;
  - (ii) Justification for the need of Omnibus Approval.
- (c) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- (d) The Audit Committee shall specify the criteria for making the omnibus approval

which shall include the following conditions:

- a. maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year;
- b. the maximum value per transaction which can be allowed;
- c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d. review, at least on a quarterly basis, Related Party Transactions entered by the Company pursuant to the each of the omnibus approval made; and
- e. transactions which cannot be subject to the omnibus approval by the Audit Committee.

(e) The omnibus approval shall contain the following information:

- a. Name(s) of the Related Party;
- b. Nature of the transaction;
- c. Period of transaction;
- d. Maximum amount of transactions that can be entered into;
- e. The indicative base price/current contracted price and the formula for variation in the price, if any,
- f. Method and manner of determining the pricing and other commercial terms;
- g. Whether the transaction is at arm's length; and
- h. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

(f) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 (one) crore per transaction.

(g) The Audit committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given and such transactions shall be placed before the Board within a period of 3 (three) months from the date of transaction for approval/ ratification of the Board, if required.

(h) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

#### **Specific Approval by the Audit Committee:**

All the transactions that are identified as Related Party Transactions under the scope of this Policy and not covered under Omnibus Approval mechanism shall be placed before the Audit committee for prior approval with the relevant material information of the Related Party Transaction.

#### **Approval by the Board and Shareholders**

The following information shall be provided to the Board pertaining to the approval of Related Party Transaction:

- (a) The name of the Related Party and nature of relationship;
- (b) The nature, duration of the contract and particulars of the contract or arrangement;
- (c) The material terms of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (g) The persons/authority approving the transaction; and
- (h) Any other information relevant or important for the Committee to take a decision on the proposed transaction.

In case of "Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length" and exceeds the prescribed criteria under Section 188 of the Act and in case of Material Related Party Transactions, the following information shall be given in the explanatory statement forwarded to Shareholders after the approval of the Board:

- (a) Name of the Related Party
- (b) Name of the Director or KMP who is related, if any
- (c) Nature of relationship
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution

## **6. Exemption from Obtaining Approval for Related Party Transaction under Regulations**

As per the provisions of the Act and the sub-regulation (5) of Regulation 23 of the Regulations, transactions entered into between

- the Company and its Wholly Owned Subsidiary whose accounts are consolidated with such Holding Company and placed before the Shareholders at the General Meeting for approval are exempted from obtaining prior approval of Audit Committee for Related Party Transaction.
- transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **7. Ratification of the Related Party Transaction**

Where any contract or arrangement is entered into by a Director or employee of the Company with Related Party without obtaining the consent of the Board or approval of Shareholders, and if the same is not ratified by the Board or Shareholders as the case may be within 3 (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, at the option of the Shareholders.

#### **8. Reporting of Related Party Transactions**

The Company is required to disclose in its Annual Financial Statements and Director's Report, certain transactions between the Company and Related Party as well as Policy relating thereto, as provided in the Act and Regulations. The Policy shall also be disclosed on the website of the Company and a weblink thereto shall be provided in the Annual Report of the Company.

Upon listing, the Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half years, disclosures of the related party transactions on a consolidated basis, in the format its website, as specified by SEBI from time to time and publish the same on its website (The Company is required to submit the above disclosure on the same date of publication of its standalone and consolidated financial results with effect from April 01, 2023).

#### **9. Compliance of the Policy**

The Chief Financial Officer and the Company Secretary of the Company shall at all times ensure that all the related party transactions entered by the Company are in compliance with this Policy and applicable law.

#### **10. Amendment**

The Board shall have power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy according to subsequent modification(s)/amendment(s) to the Act and Regulations.