

Sophia Exports Limited

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

PREFACE

This policy aims to determine the materiality of Related Party Transactions and to deal with Related Party Transactions ('RPTs') of Sophia Exports Limited. This policy is prepared in accordance with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and Section 177 and 188 of the Companies Act, 2013, read with the Rules made thereunder, as amended.

In case any provisions of the Policy are contrary to or inconsistent with the provisions of relevant / applicable Laws, the provisions of relevant / applicable Laws shall prevail.

OBJECTIVE

- To ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.
- To ensure high standards of Corporate Governance while dealing with related parties.
- Moreover, Regulation 23(1) of Listing Regulations requires a listed company to formulate a Policy on materiality of related party transactions and on dealing with related party transactions.

DEFINITIONS

In this Policy, unless the context otherwise requires:

- “**Act**” means the Companies Act, 2013 including any statutory modification or re-enactment thereof.
- “**Audit Committee**” or “**Committee**” means the committee of Board of Directors constituted in pursuance of Section 177 of the Act and Regulation 18 of Listing Regulations.
- “**Arm's length Basis**” Terms will be treated as on ‘Arm’s Length Basis’ as if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions. Pricing, though being an important factor, may not be the only determinant of a transaction being at arm’s length.
- “**Board**” means the Board of Directors of the Sophia Exports Limited.
- “**Company**” means Sophia Exports Limited.

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- “**Independent Director**” means an Independent Director referred in section 149(6) of the Companies Act, 2013 read with Regulation 16(1)(b) of the Listing Regulations.
- “**Key Managerial Personnel**” or “**KMP**” means person(s) appointed as such in pursuance of Section 203 of the Act read with Section 2(51) of the Act.
- “**Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.
- “**Ordinary Course of Business**” means normal, regular business activities carried out by the Company in line with its Memorandum and Articles of Association. Since, the term Ordinary Course of Business is not defined under the statute, the Company would exercise judgement on this aspect using the guiding principles, such as;
 - transaction(s) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - any similar transaction(s), company has done in the past;
 - transaction(s), carried out at regular frequency;
 - transaction(s) entered into, to enable a company remain as a going concern;
 - bonafide transaction(s). The contract should be incidental to the business.
 - meets any other parameter/criteria as decided by the Board/Audit Committee, from time to time.

The guiding principles are not exhaustive and the facts and circumstances of each case would be examined before concluding on the matter.

- “**Policy**” means Policy on materiality of related party transactions and on dealing with related party transactions.
- “**Promoter**” and “**Promoter Group**” shall have the respective meanings as assigned to them in the Listing Regulations read with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- “**Related Party**” in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Act and as per Regulation 2(1)(zb) of the Listing Regulations or under applicable accounting standards, as amended from time to time.
- “**Related Party Transaction**” has the meaning prescribed to it under Regulation 2(1)(zc) of the Listing Regulations and shall include transactions given in clause (a) to (g) of Section 188(1) of the Act.

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- “**Relative**” means any person as per Section 2(77) of the Companies Act and rules prescribed thereunder and as per Regulation 2(1)(zd) of the Listing Regulations, as amended from time to time.
- “**Relevant Laws**” means the Act, the Rules and Listing Regulations.
- “**Rules**” means the Rules framed under the Act, as amended from time to time.
- “**Material Related Party Transactions**” in terms of Listing Regulations means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:
 - (i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
 - (ii) In case of any other transaction(s), if the amount exceeds Rs 1,000 crores or 10% (ten percent) of the annual consolidated turnover of the Company, as per its last audited financial statements, whichever is lower.
- “**Material Modification**” in terms of Listing Regulations means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% or more in the relevant previously approved RPTs.

Unless the context otherwise provides, terms not defined herein and used in this Policy, shall bear the same meaning as prescribed under the Act, the Listing Regulations or any other relevant law

PERIODIC IDENTIFICATION OF RELATED PARTIES

- Related parties shall be identified under the Act and the Listing Regulations, as amended from time to time.
- Each Director and Key Managerial Personnel of Company is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him / her or his / her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request.

TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL

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

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- 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 Company 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) retail purchases from the Company or its subsidiaries by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.
- d) remuneration and sitting fees paid by the Company 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 Regulation 23(1) of Listing Regulations.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- a) All RPTs including any subsequent material modification of existing RPTs thereof shall require prior approval of the Audit Committee in the manner specified under the Listing Regulations.

Further, only those members of the Audit Committee who are Independent Directors shall approve RPTs.

- b) All material related party transactions (“RPTs) and subsequent material modifications of material RPTs as defined by the Audit Committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- c) All contract, arrangement or transaction, between a related party (as defined under the Act) and the Company, as specified under Section 188 of the Act, which are either not at arm’s length basis or not in the ordinary course of business, shall require approval of;
 - Board; and
 - Shareholders, if amount of such transactions exceeds the limits prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014. No Related Party shall vote to approve such transaction.

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d) The Committee shall grant omnibus approval for RPTs proposed to be entered into by the Company, subject to the following conditions:

- The proposed RPTs are repetitive in nature and the Audit Committee is satisfied with the need of such omnibus approval and is in the interest of the Company;
- Omnibus approval shall specify:
 - The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - The indicative base price / current contracted price and the formula for variation in the price, if any; and
 - Such other conditions as the Audit Committee may deem fit;

The Committee may grant omnibus approval upto Rupees One Crore per transaction for the RPTs which cannot be foreseen or the details prescribed in the criteria for seeking omnibus approval are not available.

- Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- e) All RPTs including RPTs approved through omnibus approval, shall be reviewed post facto by the Committee, quarterly. The Committee shall be informed whether the RPTs have been entered into in the ordinary course of business and on arm's length basis.
- f) In the event the Audit Committee decides to put up a Related Party Transaction before the Board, or if the Board suo-moto elects to review any Related Party Transaction or if a Related Party Transaction is required to be approved by the Board in pursuance of the Act, Rules or Listing Regulations, the process set forth in this policy or in, Act, Listing Regulations and prevailing laws shall apply mutatis-mutandis for approval of such Related Party Transaction by the Board, subject to such exceptions as may be necessary or appropriate under the circumstances.
- g) 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.
- h) Ratification of Related Party Transactions:

The ratification of related party transactions shall be done by the majority of independent directors who are members of the Audit Committee present at the meeting, subject to the following conditions:

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- the transaction is not material in terms of the provisions of clause 3(i) of this policy;
- rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of Listing Regulations ; • any other condition as specified by the audit committee.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- Particulars of RPTs shall be disclosed in such manner as may be prescribed under the Listing Regulations and / or the Act (including rules made thereunder), from time to time.
- This Policy shall be disclosed on the Company's website www.sophiaexport.com and a weblink thereto shall be provided in the Annual Report of the Company.
- The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis, if any.
- The Company shall submit the half yearly disclosures of Related Party Transactions on a consolidated basis, in the specified format to the stock exchanges and publish the same on its website within stipulated timeline.

Provided that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this clause provided that the same is not material RPT.

AMENDMENT

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once in every three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy. However, the amendments in the Act or in the Listing Regulations shall be binding even if not incorporated in this Policy.

(Last modified on February 12, 2025)