

Approved by the Board of Directors at their Meeting held on 9th August 2022

RELATED PARTY TRANSACTION POLICY

Revision Date: 9th August 2022

Approved by: Audit Committee of the Board of Directors and the Board of Directors

- I. Sobha Limited (hereinafter referred to as “**Sobha**”) has adopted this Related Party Transaction Policy and Procedures (“**Policy & Procedures**”) with regard to Related Party Transaction(s) and its compliance under the Companies Act, 2013, the rules made thereunder, relevant Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR/Listing Agreement), wherever applicable.
- II. This Policy and Procedures apply to all the business operations, directors, Key Managerial Personnel officers, employees and representatives.
- III. Sobha is committed to the adherence and compliance of this Policy and Procedures.
- IV. Definitions
 1. “**Act**” shall mean the Companies Act, 2013 and includes any amendment thereof.
 2. An “**arm’s length transaction**” (“**arm’s length**”) means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. “**Related Party**”, with reference to a Company means as per definition under Companies Act, 2013, Rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 /Listing Agreement, wherever applicable.
 3. “**Material Related Party Transaction (RPT)**”- means a Related Party Transaction (RPT) with thresholds as prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 4. “**Material modification**” means any subsequent change to an existing Related Party Transaction, having variance of 20% of the existing limit or Rs.10 crores whichever is lower.

5. **“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 and Articles of Association.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Companies Act, 2013 and the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time. 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.

- V. Sobha is committed to uphold the arm’s length principle while entering into Related Party Transaction(s) (“RPT”). RPT means any transaction entered into with a Related Party as defined under the Companies Act, 2013, Rules made thereunder, Accounting Standard(s) issued by ICAI and LODR/Listing Agreement, as amended from time to time, wherever applicable.
- VI. Every employee, officers, directors and representatives, who plans to have the transaction(s) in the nature of Related Party Transaction shall have the duty and responsibility to report the same to Chief Financial Officer /Company Secretary of the Company and shall not carry out the Related Party Transaction unless it is in accordance with this Policy & Procedures.
- VII. Any Related Party Transaction not disclosed or reported and/or not taken prior approval as per this Policy & Procedures be immediately reported to Chief Financial Officer and Company Secretary for necessary compliance.

PROCEDURES

I. Basis for undertaking Related Party Transactions:

The Company shall strive to ensure that related party transactions are in the ordinary course of business and on arms’ length basis. The Company shall strive to determine the best possible price and ensure that the commercial terms of the transactions are beneficial to the Company and are not prejudicial to its interests. The management shall present to the Board or Audit Committee as the case may be, the basis and rationale for undertaking the Related Party Transaction (RPT).

II. Transactions to be classified as Related Party Transaction are:

- i. Purchase and sale of Goods, including import and export
- ii. Provision/ supply of Services
- iii. Procurement/ receipt of services
- iv. Purchase and/or sale of movable and immovable assets
- v. Right to use of Intellectual Property
- vi. Leasing of property of any kind
- vii. Appointment of any agent for purchase or sale of goods, materials, services or property
- viii. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
- ix. Underwriting the subscription of any securities or derivatives thereof, of the company
- x. Transfer of resources, services or obligations between:
 - (a) 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
 - (b) 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, 2023; 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.
- xi. Any other category of Related Party Transaction (RPT) that comes up in the ordinary course of business or otherwise; under the Companies Act, 2013, Rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015/Listing Agreement, wherever applicable.

II. Methodology of price determination

- a. The method and manner of determination of arm's length consideration/ price for Related Party Transaction shall be based on the broad principles that are usually kept in mind while deciding consideration/ price with an unrelated party. Depending upon the nature and circumstances of transaction any of the following methods shall be followed:

- i. Comparable uncontrolled price
 - ii. Cost plus method
 - iii. Transactional net margin method
 - iv. Cost sharing/ allocation
 - v. Reduction of loss method
 - vi. Resale price method
 - vii. Any other appropriate method
- b. To avoid any confusion in understanding the above methods, reliance shall be placed on the provisions of Income Tax Act, 1961 and the Rules made there under, to the extent applicable.

III. Material Related Party Transactions:

- i. Transactions with a related party shall be considered material, if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees One Thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- ii. Transaction involving payment to a related party with respect to brand usage or royalty entered into individually or taken together with previous transactions during a financial year which exceeds 5% of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company.

IV. Responsibility & Accountability:

i. Chief Financial Officer:

- a. The Chief Financial Officer along with the Chief Executive Officer and Company Secretary shall be responsible for compliance with the Policy and Procedures.
- b. Chief Financial Officer shall create a mechanism whereby all Related Party Transaction are brought to his/her knowledge including all relevant details and rationale of the transaction, including nature of transaction, annual volume and

value of transactions, single or repetitive transaction, method of price determination.

- c. Chief Financial Officer shall ensure that such mechanism includes equal participation from Company Secretary, Commercial operations, HR, and any other necessary stakeholders. All above stakeholders' participation is mandatory.
- d. Chief Financial Officer/Company Secretary shall, upon receiving the Related Party Transaction from the respective team, place before the Audit Committee and/or Board and/or Shareholders of the Company, as the case may be, for necessary approval.
- e. The Management/Company shall take prior approval for the proposed Related Party Transaction including draft terms and conditions of the Related Party Transaction in quarterly Audit Committee and/or Board, as the case may be, and shall also place details of Related Party Transaction carried out during the previous quarter in quarterly Audit Committee and/or Board.

ii. Company Secretary

- a. Company Secretary shall be responsible to place the Related Party Transactions as received by him from different departments before the Audit Committee / Board, as may be required, in compliance with the provisions of the Companies Act, 2013 (**"Act of 2013"**), Rules and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 /Listing Agreement.
- b. Maintain a register of all Related Party Transaction Agreement(s) both in physical and electronic form.

IV Review and Approval of Related Party Transactions

A. Audit Committee

All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

- (i) Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which

is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.

- (ii) The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- (iii) The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions and material modifications thereof, entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.
- (iv) A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.
- (v) 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.

B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, 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 shall abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

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 Related Party Transaction 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.

D. The provisions of regulation 23(2), (3) and (4) shall not be applicable in case of transactions 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.

E. 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 Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

F. Reporting of Related Party Transactions

- (i) Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (ii) The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the Listing Regulations and the same shall be published on

the Company's website

IV. Timeline for Administration of this Policy and Procedures

Every Related Party Transaction shall have prior approval from Audit Committee (Independent Directors present at the meeting) and/or Board and/or Shareholders, as the case may be. The Audit Committee and/or Board meet every quarter under the Law. Thus, it would be imperative to plan all Related Party Transaction well in advance so that in all said quarterly meetings, they are taken up for prior approval. Hence, following timelines shall be adhered to:

- a. As stated elsewhere, all concerned persons who conceive or plan to carry out an Related Party Transaction shall keep the above time frame in mind and shall inform Chief Financial Officer/Company Secretary with all the required details at least by the end of last month of each quarter so that it can be considered for approval in the next meeting held after the end of the quarter. For instance, Related Party Transaction require approval in the Audit and/or Board meeting dated August second week, the details should be provided to Chief Financial Officer by 31st July. The transaction details shall be in specified format.
- b. Chief Financial Officer shall forward the aforesaid details and any other relevant information to Company Secretary.
- c. Company Secretary shall present the transaction before the Audit Committee and/or Board Meeting.
- d. For transactions of a recurring and continuing nature, the Chief Financial Officer may seek an omnibus approval from the Audit Committee. The Chief Financial Officer shall submit the list of transactions proposed to be undertaken during a financial year together such information as the Audit Committee may require for the purpose of granting approval. The Audit Committee shall review such related party transactions on a quarterly basis.
- e. Company Secretary shall communicate the decision of the Audit Committee/Board/ Shareholders as the case may be to the stakeholders.

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