

# SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED

## POLICY ON RELATED PARTY TRNASCTIONS

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### **I. INTRODUCTION:**

Source Natural Foods and Herbal Supplements Limited (hereinafter referred as the “Company” or “Source Natural”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company’s Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified

### **II. PURPOSE:**

This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of its directors, nominees for director, Executive Officers or Significant Stockholders or certain entities or persons related to them. Such transactions are appropriate only if they are in the best interest of the Company and our stockholders. The Company is required to disclose each year in its statement certain transactions between the Company and Related Parties as well as its policies concerning transactions with Related Parties. In addition, the Audit Committee and the Board shall review any Related Party Transactions involving non-executive, independent directors as part of the annual determination of their independence.

### **III. DEFINITIONS:**

For the purpose of this policy, the following definitions will apply:

As per Section 2(76) of the Companies Act, 2013, “Related Party” with reference to a company, means—

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager is a member or director;
- v. a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii. any company which is—
  - a. a holding, subsidiary or an associate company of such company; or
  - b. a subsidiary of a holding company to which it is also a subsidiary;
- ix. such other person as may be prescribed;

As per Section 2(77) of the Companies Act, 2013, “Relative” with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed;

#### **IV. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION:**

All Related-Party Transactions must be brought to Company’s Board of Directors and the Audit Committee’s attention. Pursuant to Company’s Codes of Conduct, any employee or director who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest is instructed to discuss the matter promptly with an appropriate contact designated under the Codes of Conduct.

Any potential Related-Party Transaction that is raised will be analyzed by the Board of Directors, in consultation with management, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related-Party Transaction requiring compliance with this Policy.

#### **V. MATERIALITY OF RELATED PARTY TRANSACTIONS:**

A transaction 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

#### **VI. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

Related Party Transactions involving a Significant Stockholder, director, nominee for director, the Chief Executive Officer and/or their Immediate Family Members or relatives will be referred to the Audit Committee for review and approval or ratification. Any member of the Audit Committee who has a potential interest in any Related Party

Transaction will recuse himself or herself and abstain from voting on the approval or ratification of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a. Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- d. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and
- e. Whether the Related Party Transaction would present an improper conflict of interest for any director, nominee for director or senior management personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, nominee for director, senior management personnel or other Related Party, the direct or indirect nature of the director's, nominee's, senior management personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.

In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.