

Related Party Transactions Policy

Preamble

The Board of Directors (the Board) of Chalet Hotels Ltd. (the Company or CHL) hereby adopts the policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee shall review and may suggest amendments to this policy from time to time, for Board approval. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the company.

Purpose

This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company, are at arms' length and in the ordinary course of business. Any exceptions are subject to approval.

Definitions

“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.

“Audit Committee” means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013.

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” means **key managerial personnel as defined under the Companies Act, 2013 and includes:**

- Managing Director / Chief Executive Officer / Manager
- Whole Time Director
- Chief Financial Officer
- Company Secretary.

“Policy” means Related Party Transactions Policy

“Related Party” – a related party is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or

indirectly, in making financial and/or operating decisions and includes the following:

Under the prevalent law

Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy and shall also require subsequent approval by the Board of Directors.

Related Party Transaction not attracting compliances under Section 188 of the Companies Act, 2013

Third proviso to sub-section (1) of Section 188 provides exemption u/s 188:-

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

In view of the above, Related Party Transactions which are in the ordinary course of business and at arm's length shall not require any approval from Audit Committee / Board of Directors / Shareholders.

It is clarified that for this purpose, with regard to the Company, transactions entered into in the ordinary course of business shall be such transactions that are in accordance with the line of business at present being pursued by the Company and any allied transaction towards furtherance of the business that the Company is involved in. It may be also clarified that any excess material procured by the Company for use in the Hotels/Real Estate Development business may be sold by the Company if it cannot be profitably used and such a sale will also be deemed to be a transaction in the ordinary course of business.

There could be deviations in exempt transactions with Group Companies under the following circumstances:

- Economic Reasons including Corporate Debt Restructuring, Financial Conditions and other extraordinary circumstances
- Obligations of Chalet as a Promoter / Joint Venture Partner of a Project and a Consortium Member

- Regulatory enactments / obligations, if any

The business activities including all types of payments, services availed and/or rendered to Related Parties shall be deemed to be considered in the Ordinary Course provided it fulfils any of the following parameters:

- Main and ancillary/incidental Business defined in Memorandum of Association (MoA)
- Business Practice precedent
- Regulatory obligations
- Covenant obligations
- Reputational Risk element
- Frequency of the transaction undertaken purpose of the same
- Ensuring business confidentiality and continuity of inter-dependent business of the Group

In the absence of any specific regulatory guidelines/ definition on the “Ordinary Course of Business”, the above provision would be recommendatory guidelines for review of related party transactions and accordingly from point no (i) to (vii) would form part of the Ordinary Course of Business.

Limits as per Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014

For the purpose of first proviso to sub-section (1) of Section 188 of the Companies Act, 2013 except with the prior approval of the company by a Ordinary Resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into involve:

A) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188 with criteria as mentioned below-

Section	Nature of Transaction	Limit
188(1)(a)/(e)	sale, purchase or supply of any goods or materials, directly or through appointment of agent	exceeding 10% of the turnover of the company or Rs.100 crore, whichever is lower

188(1)(b)/(e)	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	exceeding 10% of net-worth of the company or Rs.100 crore, whichever is lower
188(1)(c)	leasing of property of any kind	exceeding 10% of net-worth of the company or 10 % of turnover of the company or Rs.100 crore, whichever is lower
188(1)(d)/(e)	availing or rendering of any services, directly or through appointment of agent	exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower

Explanation – It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

B) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188; or

C) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net-worth as mentioned in clause (g) of sub-section (1) of Section 188

Explanation – (1) The Turnover or Net-Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

In case of a wholly owned subsidiary, an Ordinary Resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to Section 101 shall contain the following particulars, namely:

- name of the related party;
- name of the director or key managerial personnel who is related, if any;

- nature of relationship;
- Covenant obligations nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution

Identification of Potential Related Party Transactions

Each director and key managerial personnel is responsible for providing notice to the Board or Audit Committee of any potential related party transaction involving him or her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request. Board / Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this policy.

Prohibitions related to Related Party Transactions

All Related Party Transactions shall require approval of Audit Committee. Further all Material Related Party Transactions shall require approval of the shareholders through Ordinary Resolution and the Related Parties shall abstain from voting on such resolutions.

Determination of Arms' Length

The parameters for Arm's length are to be gauged based on any one or more of the following criteria:

- Market Price, if readily available and if market exists for the same item
- Price charged by the Company to unrelated parties for the same item
- Independent Valuations by a professional
- Obtaining 2/3 comparative quotes from Unrelated Parties for similar transactions
- Regulatory and other Obligations, as applicable

Arm's Length criteria/process to be observed:

In order to ensure compliance with the principle of arms' length pricing in terms of section 188 of Companies Act 2013, Originator of such approval memorandum

or transactions or the Head of the transaction origination Department shall provide comparative analysis of the similar transaction with an unrelated party

The responsibility of ensuring that the transactions with related party are undertaken at arm's length basis rests with the Head of the respective Department of originating the transaction

Any transactions with the Related Parties shall primarily be reviewed by the RPT Reviewers. The team of Reviewers shall comprise of:

- Executive Director
- VP – Finance & Accounts
- Company Secretary,
- AVP – MIS & Co-ordination

and such other person as deemed appropriate in the given situation/ transaction possessing relevant expertise and experience to assess the RPT.

Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction. The said transaction shall also require subsequent approval by the Board of Directors.

Procedure for review of Related Party Transactions

- All Related Party Transactions or changes therein must be reported by the Chief Financial Officer, Head of Contracts Department, Finance Departments of the Hotels/Commercial/Residential Buildings/Units, Head of Accounts Department to the Company Secretary and referred for approval by the Audit Committee in accordance with this Policy.
- The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party

Transactions, together with a summary of material facts, to the Board for its approval.

- If the Board is of the view that the Related Party Transaction needs to be approved at a General Meeting of the shareholders by way of Ordinary Resolution pursuant to Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the shareholders of the Company.
- If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / General Meeting, if required, within 3 months of entering in the Related Party Transaction.
- In any case where either the Audit Committee / Board / General Meeting determines not to ratify a Related Party Transaction that has been commenced or concluded without approval, the Committee or Board or the General Meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has the authority to modify or waive any procedural requirement of this Policy.
- In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on term no less favourable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.
- If a Related Party Transaction will be ongoing, the Audit Committee may resolve to grant omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company.
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative case price / current contracted price and

the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit. Provide that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1.00 crore per transaction.

- Thereafter, the Audit Committee, shall review on a periodic basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- In addition, the Audit Committee / Board may review any Related Party Transactions involving Independent Directors as part of the annual determination of their independence.
- Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

Standards of Review

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- The Related Party's interest in the transaction
- The approximate value of the amount involved in the transaction
- The approximate value of the amount of the Related Party's interest in the transaction
- Whether the transaction was undertaken in the ordinary course of business of the company
- Whether the terms of the transaction are fair and on arm's length basis to the company and would apply on the same basis if the transaction did not involve a related party
- Whether the Related Party Transaction would affect the independence of an Independent Director